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THE
ROUND TABLE
A Quarterly Review of
BRITISH
COMMONWEALTH
AFFAIRS

Contents of Number 155

**CROWN WITHOUT SCEPTRE
THE DOCTRINE OF APARTHEID
IRELAND AND THE ATLANTIC PACT
THE PARTY FIGHT IN CANADA
GREATER RHODESIA
FEDERATION IN THE BRITISH CARIBBEAN
FINANCE OF THE WELFARE STATE
AMERICA AND THE COMMUNIST WORLD**

Articles from Correspondents in

**UNITED KINGDOM INDIA PAKISTAN CANADA AUSTRALIA
SOUTH AFRICA NEW ZEALAND**

And a Note on

BRITISH COMMONWEALTH RELATIONS

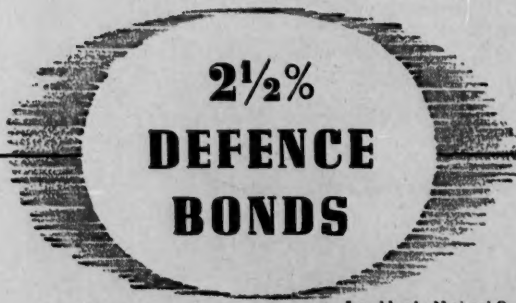
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THE ROUND TABLE

A QUARTERLY REVIEW OF
BRITISH COMMONWEALTH AFFAIRS

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CROWN WITHOUT SCEPTRE

A REPUBLIC WITHIN THE COMMONWEALTH

THE declaration of the London Conference of Prime Ministers has surmounted a great crisis in the constitutional development of the British Commonwealth by the practical, and indeed traditional, resource of saying in effect that no crisis exists. A sound political judgment decided at the outset, in the manner of the courts of Common Law, to limit discussion strictly to the circumstances of the particular case that had arisen, and to eschew any attempt to lay down a general rule. India came before the conference with two clear intentions to define. First, as had been foreseen for many months, she was firmly resolved to set up for herself a republican constitution in which there would be no place, even symbolic, for the Crown. Secondly, as had not been foreseen with any confidence until recently, she desired to retain her association with the other nations of the British Commonwealth on terms as intimate as before. The question to be decided was whether these two intentions could be reconciled with one another. The declaration rules that they can; and it says very little, if anything, more than this. India wishes to remain the permanent associate of her seven present partners in the Commonwealth; and all the seven declare that she is a welcome member of their brotherhood. This is the substance of the relationship it is desired to maintain; and no questions of constitutional form can be allowed to stand in the way. It is true that the forms centred upon the monarchy have been found by the older members of the Commonwealth the indispensable means of preserving the association; but if India finds them not a help but a stumbling-block, then the partnership between her and the rest must in some way be sustained without them. The King will continue to be "the symbol of the free association of the independent member nations and as such the head of the Commonwealth" to which India belongs. Yet although the King is the symbol for all, India's relation to him will be different from that of any other member nation; at the same time it is laid down that there are not two classes of members, but only one. All are free and all are equal.

The declaration has been rightly applauded in all countries of the Commonwealth, and by most of its leading statesmen, for it makes in the structure of the Commonwealth as a whole the least possible change compatible with India's exercise of her undoubted right to renounce a system of symbolism which in her case could not serve its essential purpose, because the monarchy carries an historic connotation for Indian sentiment which is quite other than that which makes it a bond of social cohesion for other nations. Making this recognition of realities, the declaration has been received as an outstanding example of

our slowly grown
And crowned republic's crowning commonsense
That saved her many times.

It has, of course, to be recognized that nothing more has at present been achieved or attempted than to frame the relationship of republican India to the Commonwealth in a new form of words. The substantial meaning of these words has to be supplied later by the actual development of the relationship, that is, by the degree of common action and common feeling which becomes manifest in the policy pursued in the coming years by India on the one hand and the nations under the Crown on the other. What is valuable in the immediate result of the London Conference is that there is no discontinuity; that, even supposing that India is destined in the future to move somewhat apart from her monarchist associates, nothing has been done to hasten the process, and perhaps even something of a negative kind to retard it.

Because the world has to wait for facts to give body to new formulas, parliamentary and other comment on the declaration has not as yet gone much beyond generalities. Internationally, it appears to have been tacitly approved; that is to say, there has been no sign that foreign Powers are likely to question the right of India on the new terms to retain the juridical status of a member of the Commonwealth, and therefore to enjoy the privileges, especially the fiscal privileges, which members of the Commonwealth are permitted by international law to accord to one another, but may not extend to a specially favoured foreign State. In India itself Mr. Nehru had been assured before his return from London of the support of Mr. Sardar Patel, and therefore need not doubt his ability to carry the settlement through the Constituent Assembly against the opposition which must be expected from the separatist groups. The agreement is a great personal achievement of Mr. Nehru's statesmanship; and in no less degree it redounds to the credit of Mr. Attlee's diplomacy, as was fully recognized in the United Kingdom Parliament by the cordial acceptance of the new concordat on the part of Mr. Churchill, who rose with characteristic magnanimity above any prejudices which might have been suspected from his known strong views on the recent conduct of Indian affairs.

The approval expressed in Canada has been rather more whole-hearted than in Australia and New Zealand, where any modification of the position of the Crown, even though obviously unavoidable, is accepted with some reluctance. Mr. Liaquat Ali Khan has made it clear that Pakistan will reserve the right to follow the Indian example if it should commend itself to her own Constituent Assembly, and no doubt after observing the manner in which the new status of India works itself out. The case of Ceylon, it may be supposed, is not likely to arise until after the position of Pakistan becomes clear; if the island eventually finds itself the only monarchist nation of the Commonwealth in Asia the temptation to make use of the precedent may be strong. It has already been suggested that the status now accorded to India would have had attractions for Burma at the time of her secession; but although the doors of the Commonwealth are certainly open for her return, it is easier to imagine such a movement after a substantial course of years than in the immediate future, when it might be misinterpreted to the diminution of the prestige of her independence. Ireland, on the other hand, is in

an altogether different position; for there the republic has been set up for the sake of separation from the United Kingdom, rather than separation endured for the sake of the republic.

The Position of South Africa

SELF-CONGRATULATION throughout the Commonwealth must be checked before it passes over into complacency by the warning voice of Field Marshal Smuts. When one of the two outstanding elder statesmen of the Commonwealth expresses his misgiving, public opinion in all its nations must take serious account of his words. In fact both monarchists and republicans in South Africa have been left in some uncertainty by the London declaration. On the face of it, the settlement could hardly have been more favourably framed for Dr. Malan. Without laying down a general rule that a class of republics may exist within the Commonwealth, which might have embarrassed him by raising the constitutional question in South Africa as an immediate issue, it establishes a precedent which republicans may quote at any later date when it is tactically more convenient to precipitate the controversy. Many South Africans of the opposite persuasion have been favourably impressed by the evidence Dr. Malan has given, by going to London, of his willingness to co-operate. But South Africa, more than the other Commonwealth nations, is perturbed by the novelty in constitutional law of the concepts thought to be involved in the new formula; and this has resulted in considerable uncertainty about its effect on South African politics and perplexity concerning the attitude that foreign nations are likely to adopt. It is primarily the ambiguities that General Smuts appears to dislike. On the other hand, that which seems convenient to the Prime Minister, with his responsibility for keeping the republican elements in the party programme in proper proportion to general policy, is evidently much less welcome to the strong partisans who are republicans first and Nationalists afterwards. Mr. Strydom, the extreme republican leader from the Transvaal, who is widely regarded as heir-presumptive to Dr. Malan himself, has received the declaration with marked lukewarmness. There is evidence that some Nationalists feel that the achievement of a South African republic outside the Commonwealth, following the model of Ireland, has not been made easier. The analogy is being drawn with the South African constitution after the Balfour declaration of 1926, which eventually led to a conflict in the Nationalist ranks between General Hertzog, who was then Prime Minister, and the extreme republican wing. To-day there is the added factor of a possible conflict between Nationalist groups respectively friendly and hostile to the principles of the Commonwealth. Now that it is known that republics can exist within the Commonwealth one of the favourite Nationalist arguments for a republic may break down, the argument of those who have advocated a republic precisely because it would cut the ties of Empire and free South Africa from the risk of "being dragged into Britain's wars". If Dr. Malan now develops his imperial policy with the statesmanlike moderation of which he gave evidence at the conference, the effect, as he no doubt realizes, may be to split his own party. If, on the other hand, he gives

way to temptation, plays the politician and presses on with steps to a republic, it is not inconceivable that he may split the United party itself. For besides the main body of the party (based on Natal, the Eastern Province, the Cape Peninsula and parts of Johannesburg) who are uncompromising for King and Commonwealth, there is an Afrikaans-speaking section which is more interested in the Commonwealth tie than in the Crown, and some English-speaking members of the party who, though they would prefer the Crown to remain, might be inclined to sacrifice it for appeasement as a condition of remaining in the Commonwealth. In spite of these dangers that the declaration might be used to bring its latent divisions to the surface, there is no doubt that the United party as a whole feels general satisfaction at the strengthening of the Commonwealth by the retention of India's membership and the explicit reiteration that the constitutional relations of the other members have not been changed.

Unity without Authority

WHETHER that statement is strictly true we may not be able to appreciate until the lapse of time enables us to read the London declaration in historical perspective. If, indeed, the declaration itself has made no change, it may still compel us to a fuller perception of changes that have already occurred. A writer on imperial development "refers us to a conversation which he had with some prudent and mature men; the subject of this conversation turned upon the state in which the Empire found itself: some said that the empire was so weak, both in its juristic structure and in its actual power, that it would soon cease to exist altogether; the others said that the empire rested upon force, and its absorption by its component kingdoms was only a natural development."^{*} The author here quoted was not writing about the British Empire; he was Engelbert, abbot of Admont, writing at the end of the thirteenth century. But history is here visibly anticipating itself. The British Empire to-day is denounced by some as a dominion of force and belittled by others as a juridical fiction; and we are certainly at some phase, which we may not fully understand, of a process that might be described as the absorption of the whole by the parts. The London declaration records without entirely defining the stage that we have reached.

Since 1931 we have been accustomed to say that the monarchy is the sole formal link on which the unity of the Commonwealth depends. If pressed to expand that statement we should probably say that the Crown binds us together because each individual state in the Commonwealth has at the head of its government the same person, His Majesty the King. We cannot, however, continue to regard the King as the link in that sense; for he is not the head of the Indian government, and yet he is the symbol of association for all members of the Commonwealth alike, of whom India is one. It is clear that we have to learn to think of the Crown as the symbol of association

^{*} Goldast, *Politica Imperialia*, Francofurti, 1614, p. 754, quoted by Walter Ullmann in *The English Historical Review*, January 1949. The words "Holy Roman" have been omitted before the first occurrence of the word Empire.

in some other aspect than that implied by its political headship of the individual member nations.

It may be noted that in that part of the declaration which relates to the status of India the reference is not to the Crown but, following a line of thought suggested by Dr. Evatt, to the King. Nevertheless it is useful to reflect upon the significance of the popular instinct which, from the many emblems of majesty with which the King is invested after his unction, has chosen the Crown as the pre-eminent symbol of the royal office. For the Crown, as the liturgical formulae of its imposition make clear, is not an emblem of power. That position belongs to the Sceptre, the rod of justice, descending no doubt from the first bough torn from a tree by prehistoric man as a weapon to impose his will upon his fellows. The Crown stands, according to the liturgy, for glory and for righteousness.

Now India has chosen to remove the King as bearer of the Sceptre from her political system. But she still participates in the glory and righteousness of the Commonwealth, that is, in the ideals and the way of life for which it stands, and in that sense continues to pay respect to the King as wearer of the Crown. But if that is so, it becomes necessary for India's partners in the Commonwealth to see their own mutual association symbolized by the same aspect of the monarchy. If the Sceptre is not a link with India, and India is constitutionally equal with all the rest, then it cannot be a link between these others. To dispense with the metaphor, the element of authority is now wholly removed from the apparatus by which the unity of the Commonwealth is sustained. Neither the authority of one privileged nation over the others, nor the authority of the corporate whole over its parts, now has any function in holding the Commonwealth together. But that we have known since the Statute of Westminster. The real nature of our reverence for the King as the universal representative is more clearly illuminated when we are compelled to detach from our conception of the monarchy the particular aspect of it which symbolizes political power; and the enrolment of a republic among the nations which are banded together in his name may well prove an enhancement of, not a derogation from, his dignity.

THE DOCTRINE OF APARTHEID

NATIONALIST NATIVE POLICY IN SOUTH AFRICA

EVER since the Nationalist party brought the term *apartheid* into current use in South African politics, earnest efforts have been made by seekers after truth to find out exactly what it means. As a general outlook on life, as the expression of a deeply felt emotion, the term has a meaning which is as significant as it is vague. All attempts, however, have failed to get from members of the Government a clear statement of its exact application in every sphere of national life. We are therefore driven to undertake the prosaic task of analysing its meaning point by point in the light, not merely of Nationalist election propaganda, but of what the Nationalists have done, refrained from doing, or threatened to do since Dr. Malan came to power. Before doing this it may be as well to glance for a moment at those few supporters of *apartheid* who have taken this election slogan seriously, and endeavoured to work it out logically. These, as might be expected, consist mainly of university professors, and appear to fall under the definition of Edmund Burke, "those good souls whose credulous morality is so invaluable a treasury to crafty politicians". They have faced the possibility of *apartheid* in the sense of the literal separation of White from Black, and have envisaged a great Bantu State or group of States to which at least one ingenious thinker has affixed the term "Bantustan", somewhere in the fastnesses of southern Africa. This State or group of States is to have some measure of self-government, although apparently the suzerainty of the White man must always remain. The issue of labour is faced, and the European community is exhorted to learn to do with less African labour, although indeed there are cross-currents of thought which seem to favour the entrenchment of the migrant labour system—in which case Bantustan would be something unique in history, a dormitory State.

This unofficial "solution" leaves a number of questions unsolved. The simplest and perhaps the most important of them is that of the geographical boundaries of Bantustan. The supporters of *apartheid* appear to have a distaste for maps. Up to the present it has not been possible to get any authentic map showing the proposed redivision of the country, in spite of challenges, pleas and plaintive requests for it.

In the second place, the professors do not seem to have settled, for themselves or anyone else, the question of the future of the non-Bantu elements in South African society. So far as the Indians are concerned, the simple solution of expatriation to India is sometimes put forward by those who have no political responsibility and occasionally by some who have. But what of the large and increasing Cape Coloured population, over 750,000 of whom live in the western part of the Cape Province in the most intimate economic contact with the Europeans? There is no equivalent of Bantustan for them, and although they are sometimes exhorted to develop in their own areas, they

have no areas of their own. If these were created, they would have to be carved out of some of the richest farming land of the whole Union.

An Appeal to Emotion

IT would perhaps be best to say that *apartheid* represents rather an emotion than a policy. It is none the less a critical issue for that reason. Built up into it is much of the feeling which has been the strength of South African Nationalism in the past—the appeal to history, a history much of which is composed of inter-racial war, White against Black; the appeal to tradition, stabilizing the tradition of the Afrikaner more or less as it stood in 1899, or earlier; the appeal to fear. What is this fear? It is the not unnatural fear of a large number of Afrikaners that their hard-won nationality, so sore beset by alien contacts, their own way of living, their own outlook on life, should be lost in the rising tide of colour. To them liberalism in any of its forms is the removing of the dike which keeps this sea of colour out of the territory so hardly wrested from it.

Few cleverer things have ever been done in South Africa than the coining of this term just before an election, and combining it with a campaign against the late Mr. J. H. Hofmeyr, thus linking up the views of this courageous liberal statesman with the fate of a party which, while deeply thankful for his ability, often frankly thought him an embarrassment and occasionally a danger. The term, while it conveyed so little, suggested so much. It confused many supporters of the United party, who subconsciously thought that to oppose it was to stand for social integration with the non-European races. Whatever the defects of the term *apartheid*, it has, from the point of view of the Nationalists, one signal and incontestable merit: it has won one election, and may well win the next.

As to the term itself, the fact that we have already in South Africa adopted it into English is significant. There are two possible English translations: one is "segregation", the Afrikaans equivalent of which has been dropped by the Nationalists because, as the years have gone by, the use of this term, by which the non-Europeans were classed in the same way as lepers or dangerous criminals, was felt to be unsatisfactory. The moderate, the doubting, the missionary-minded, the over-conscientious could not be caught by an appeal to *segregasie*, and certainly on the English-speaking side "segregation" had largely lost its charm as an election appeal. The other possible translation is "separation"; but this, though vague enough, has not the vagueness of *apartheid*. It suggests geographical separation, which the term *apartheid* leaves conveniently in doubt. The phrase "separate development" is the nearest equivalent, but it is not very likely that it will come into general use. *Apartheid* must therefore be considered as naturalized in the English language.

We shall now proceed to analyse its implications under separate heads, at the end of which process it is to be hoped that the term itself and the policy of those who use it will be a little less vague.

1. *Mixture of races.* *Apartheid* is, of course, completely opposed to race admixture. But this is nothing new. It is an attitude shared by the United

party with the Nationalist party, and the mass of South African opinion is behind it. One of the advantages of the use of the term *apartheid*, however, is that it creates a suspicion that those who oppose it may perhaps be in favour of mixture of races, and this view was conveyed, not too subtly, at a number of Nationalist election meetings.

What are the facts? European opinion is dead against race admixture. African opinion is equally against it. There is no desire among the Indians to intermarry with Europeans. Instances of intermarriage between European and African or European and Indian are extremely rare. There are not enough of them to constitute any kind of problem. Considerable admixture does take place with the Cape Coloured people, who shade off imperceptibly into the Europeans at one end and Africans at the other. The Government, therefore, adumbrates a national register which will record carefully the exact race of each person and a Bill to restrict mixed marriages. In the circumstances of the life of the Cape Coloured people, these measures would produce a very great amount of human misery. The United party is therefore faced with the choice of making itself responsible for this increase of human misery, or, by opposing it, to be pilloried before the electorate as supporters of mixture of races.

2. *Social Separation.* The accepted *mores* of South Africa, as in the Southern States of America, are such as to make social intercourse between the races exceptional. Without much intervention by law they have kept themselves to themselves. Nationalist policy threatens to take action against such exceptions as do occur, although it is improbable that their threats will go so far as to exclude non-Europeans and Europeans from worshipping together, as they do in all Roman Catholic, many Anglican and a few Free Churches. A minor step was taken recently when the Minister of Railways set aside certain railway coaches on the suburban line of Cape Town—the only trains in the whole of the Union which permitted this exception. He proposed also to have separate bridges at certain stations. The triviality of these proposals proves that social admixture is not a real problem.

The Races and their Homes

3. *Residential Separation.* The general pattern of South African life is that Europeans live in certain residential quarters in towns and non-Europeans in others. So far as the Africans are concerned, the position is controlled by legislation, and since 1946 it has been so as regards Indians. The Cape Coloured population has not been subjected to legislation of this kind, although in practice there is a considerable amount of separation, particularly in new housing schemes. In all cases there are some exceptions, some of the older towns having Natives resident in certain portions of the town proper rather than in a "location". The effective working of *apartheid* appears to be that from time to time these people are to be harassed until the policy of residential separation, which as a general policy has the full support of the United party, is made more complete.

4. *Land.* So far as the Africans are concerned, the land question is the crux of the policy of *apartheid*. By it the Africans will test the validity of the

conception. Most of them are not inhibited by liberal or socialist theories. If the Nationalists had come forward with a clear, extensive and generous policy as regards land, they might have carried a good deal of African opinion with them. Many Africans are realists in these matters. The majority of established leaders would, on general principles, have been against the *apartheid* policy, but they would have found their followers slipping away from them if Bantustan had appeared on the map, and if its exponents had been practical surveyors rather than meditative theorists. All possibility of this has disappeared. Bantustan, which had a certain limited usefulness during the election campaign, has now outlived its usefulness. Nationalist Ministers are now using the argument that the increasing urbanization since 1936 means that it is doubtful whether they ought really to carry out General Hertzog's promise to buy the $7\frac{1}{2}$ million *morgen* (approximately 14,500,000 acres) provided for in the Natives Trust and Land Act, of which a little over 4 million *morgen* have been bought. This kind of argument is better calculated than anything else to condemn *apartheid* in African eyes.

5. *Development of the Native Reserves.* A cardinal point of the Nationalist policy is the development of the Native areas where they do exist in order to enable them to absorb a much larger population. These areas certainly need development, but there is nothing new in the Nationalist policy: the United party had committed itself some few years ago to a whole-hearted policy of rehabilitation of the Reserves.

6. *Industries, Housing and Urban Areas generally.* Before and during the election the Nationalists succeeded in creating the impression that their policy was greatly to reduce the Native labour force in the towns, to discourage the urbanization of families and to build up our industries on the basis of migrant labour. They succeeded in convincing both their own supporters and their opponents, including the non-Europeans, of this. Since they have been in office, they have watered down this programme considerably. Responsibility has made them face the actualities of the industrial position, and, though to a lesser extent, the need for some settled family life in the towns. The main effect of their intervention in this field has been to slow down the movement towards accepting permanent family labour in the towns, to cause further delay in the carrying out of housing schemes, and to threaten non-Europeans in towns with more discriminatory laws.

7. *Education.* Up to the present, Native education has not been seriously interfered with. The appropriations have even been increased under Nationalist rule, although the Government cut them down very seriously from the figure asked for by the Union Advisory Board on Native Education. The policy has been adopted of gradually dispensing with the provision for the feeding of Native schoolchildren. In the meantime a commission has been appointed to investigate Native education, heavily loaded with men who believe in *apartheid*, the preservation of separate racial cultures and the like, and with very tendentious terms of reference. So far as concerns the two universities which admit non-Europeans on more or less equal terms (Cape Town and the Witwatersrand), attempts are being made to bring them to the lily-white position which the Nationalist party feels is desirable. This,

however, has not been done by direct threats, but by suggestions that separate university institutions will be provided for the excluded groups.

Social and Political Aspects

8. *Welfare Services and Fiscal Theory.* It is almost certain that the unemployment benefit insurance will be withdrawn from Africans, and they have not been included in the increase granted to other groups in social pensions. One of Mr. Hofmeyr's last speeches in Parliament was a strong protest against this. Here is another point on which United and Nationalist party policy has come into conflict. The United party had finally broken with the theory, untenable both philosophically and in practice, that welfare services for Africans should be financed from their own taxation. The responsibilities of office make the Government realize that this cannot in fact be done, but the theory is continually repeated, and does have the effect of retarding any increase in such commitments, and endangering the existence of some which have already been made.

9. *Careers.* The propaganda of the Nationalist party in certain circles, particularly among Africans, held out much hope of the opening of new careers for non-Europeans among their own people. Some concessions have been made with regard to trading licences. In general, however, the hopes raised have not materialized. The best test of the Government's sincerity will obviously be its willingness to appoint non-Europeans to posts in its own two Departments of Railways & Harbours and Posts & Telegraphs, which offer the best opportunity for such appointment. Here no progress has so far been made.

10. *Political Institutions.* Here is the point on which Nationalist policy has shown itself most clearly. Reference has already been made to the proposed extension of councils in the Native areas. There is, however, nothing new in this policy, nor is it likely in any way to make acceptable the elimination or reduction of representation in the central organs of the nation. So far as the Natives' Representative Council is concerned, Dr. Jansen, the Minister of Native Affairs, sent to its last meeting a message, informing it of its impending abolition. This threat has not so far been implemented by legislation. As to Parliament, the Indian franchise, existing only on paper under the Act of 1946, has been abolished. It is now proposed

- (a) to remove Native representation from the House of Assembly, where three Members elected by the Cape Natives sit among the total of 153;
- (b) to separate the Coloured vote in the Cape Province from the European vote, and to give the Coloured people a limited number of European representatives with restricted voting power—that is, a lower type of representation than that which it is now proposed to abolish as regards Africans;
- (c) to limit the voting power of Senators elected by Natives, so that they may not vote on certain specified matters.

The third of these suggestions is the least likely to be implemented. As regards the first and second, it is almost impossible to prophesy.

While many members of the United Party have opposed the suggested political changes on their merits, or rather on their defects, the official attitude of the party has been to concentrate on the fact that these changes, which require a two-thirds majority under the "entrenched clauses" of the South Africa Act, are to be carried through, if at all, by small majorities in each House. Some doubt exists as to the legal effect of the entrenchment of these clauses of the South Africa Act: there can be none whatever as to their morally binding character.

The constitutional issue raises also the question what effective undertakings can ever be given by a South African Government if and when the time comes for the taking over of the High Commission Territories. If it is legally impossible to bind the Union Parliament, the only guarantee that can be offered is South Africa's good faith in keeping her word. This is an important consideration, for the forcing through of the abolition of the Native franchise and the limitation of the Coloured franchise by small majorities, in defiance of the clear intention of the Constitution, must have the same effect in the political world that the repudiation of public debt might be expected to have in the financial world.

Only a very small number of political thinkers take the orthodox liberal line of "no differentiation on the grounds of race or colour only". The differences between the Nationalists and the United party on some of the issues discussed do not in fact seem to be very great. There is, however, a great difference of spirit. The real need of South Africa at the present time is not so much for a recasting of its system as for the interpretation of the system with kindness, tolerance and common sense, and the creation of a sufficient number of exceptions to make more possible the transition towards the uncertain future. All this the United party has been prepared, and is prepared, to give: judged by the measures they have passed and the attitude they have displayed during their first year of office, the Nationalists seem to wish to harden practice into law, and general custom into a rigid caste system.

It must be added here that there are differences between Nationalist and Nationalist too, and that the whole party system of the Union at the moment is in a condition more fluid than it has been for many years. Underneath this confused and confusing parliamentary position there are the voteless millions, on whose reactions the future of South Africa so largely depends. What most South Africans fail to see is that the chance of winning co-operation from the large non-European groups is diminishing every year, and that if present policy is persisted in, the danger of failure and tragedy for South Africa becomes greater and greater. The next ten years are a critical time in the country's history, and the electoral victories of *apartheid* may well turn out to be, viewed from the perspective of subsequent history, delusion and disaster.

South Africa,
April 1949.

IRELAND AND THE ATLANTIC PACT

INTERNATIONAL ISOLATION OF THE NEW REPUBLIC

MANY Irishmen must have felt a sense of humiliation as they listened to the broadcast of the ceremony which took place in Washington at the signing of the Atlantic Pact on April 3. One after the other the representatives of the small Atlantic States, Belgium, Denmark, Iceland, Luxembourg, the Netherlands, Norway and Portugal, signified their adherence to this great treaty which pledges its signatories to collective self-defence against armed attack, the only possible guarantee of peace. Hr. Benediktsson, the Foreign Minister of Iceland, the smallest of these States, clearly stated the basis of the Pact when he said, "We want to make it crystal clear that we belong and want to belong to this free community of free nations which is now being formally founded." Alone in the Atlantic community Ireland was silent. Yet our churches ring with eloquent denunciations of atheistic Communism, and the Dáil, the Catholic hierarchy and many public bodies have protested vehemently against the arrest and trial of Cardinal Mindszenty. For every reason our place is with the free nations of the West. What is the cause of this strange contradiction between purpose and policy?

The Government's Attitude

THE official explanation was given by Mr. Séan Mac Bride, the Minister for External Affairs, in the Dáil on February 23. He had, he said, taken advantage of exchanges with the United States Government regarding the Irish attitude towards the proposed Atlantic Pact to explain that Ireland, as an essentially democratic and freedom-loving country, was anxious to play her full part in protecting and preserving Christian civilization and the democratic way of life. But he proceeded to explain that in spite of our agreement with the general aim of the Pact it was impossible for us to take part in military measures for its execution because of Partition and the occupation of Northern Ireland by British forces which was bitterly resented by the Irish people. Any such military alliance or commitment would, he said, not only involve the prospect of civil strife here in the event of a crisis but was equally out of the question from a strategic point of view, since the defence of Ireland could only be undertaken effectively by a single authority. In explaining our attitude he had, he claimed, made it clear that the Irish Government was not actuated by feelings of hostility towards Britain but on the contrary was anxious to develop and strengthen our relations with her. It was inconceivable, if once Partition were removed, that Ireland would ever constitute a source of danger or embarrassment to Britain in time of war.

This ingenious excuse for the Government's attitude unfortunately will not bear analysis. In the first place it is obvious that the withdrawal of

the British forces from Northern Ireland, even if this were possible without breach of faith, would, failing the improbable contingency of an agreement between the two Irish Governments, at the best leave things as they are and at the worst lead to civil war, if not worse. Moreover, it is merely ridiculous to discuss the defence of Ireland against the only possible aggressor as if this country were a strategic entity existing *in vacuo*. Ireland is one of two islands whose defence cannot under present conditions be undertaken separately. Even during the last war, when we remained neutral, Mr. de Valera's Government maintained a complete, if necessarily secret, liaison with the British and American staffs, and plans to resist a possible German invasion were fully worked out between them. The defence of Ireland in the next war, as in the two previous ones, must therefore in the last analysis depend on the air and sea power of Britain and America.

The military correspondent of the *Irish Times* writing on Western Defence has recently pointed out that owing to our isolation from the major effects of war during the last decade we regard war as a problem to be dealt with on a purely national basis within the limits of our own resources.* This attitude, having regard to the Communist threat and the impossibility of any small State's now being able to defend itself without assistance, is, he rightly maintains, both futile and ridiculous. He adds that insistence on the removal of Partition as the price of our joining the Atlantic Pact may well lead to a worse disaster than the division of the country; and he advocates as a solution of the present difficulty the creation of a Council of Defence for all Ireland as projected by Mr. Churchill in his letter to President Roosevelt of December 1940. Such a Council would form a natural part of the Western Union defence system. It is interesting to note that Sir Basil Brooke, the Northern Prime Minister, has recently (February 18) stated that there is no reason why a defence agreement between the United Kingdom (including Northern Ireland) and Ireland should not be reached and that his Government would welcome it. It is, however, extremely improbable that the Irish Government in its present mood would agree to such a sensible proposal. At the moment, as the Minister for Defence, Dr. T. O'Higgins, has candidly admitted, the Irish army lacks modern weapons and cannot procure them. The country is, in short, unprepared for war both physically and mentally and will receive a rude awakening should the worst happen. It is not, however, too late to take action, and a realistic acceptance of the international situation combined with a commonsense approach to national problems could still obtain for us that assistance in organizing our defence of which we stand so urgently in need. Ireland is no longer an obscure island lost in the Atlantic mists, but a vital strategic position in a defensive plan on which the survival of our way of life depends.

But, while it is clear that had we the will to defend Ireland as a unit we should still lack the means or the resources, it is unfortunately also clear that we have not even the will. Our only Sunday paper has recently somewhat naïvely pointed out that "our value for the opponents of Communism must always be primarily a spiritual one",† while Mr. Costello, the

* *Irish Times*, April 9, 1949.

† *Sunday Independent*, February 20, 1949.

Prime Minister, when receiving the new British representative, Sir Gilbert Laithwaite, spoke of "evils which only inspired statesmanship fortified by truly spiritual armour can hope to resist". Escapism could hardly farther go. Fortunately Sir Gilbert was educated in Ireland. To put it more tersely we do not want to fight even against Communism, believing that we should be fools to do so when someone else is prepared to fight for us. To that shameful condition ten years of Mr. de Valera's frigid calculating policy have reduced us. It is perhaps even more significant that, when the Most Revd. Dr. D'Alton, Archbishop of Armagh and Catholic Primate of All Ireland, recently had the hardihood to state in his Lenten Pastoral that "this was not a time for a policy of colourless neutrality", he hastily rectified his indiscretion a few days later by explaining that he was only referring to spiritual, not political, neutrality! There can be little doubt, therefore, that the Government in spite of their protestations are only using the issue of Partition as a convenient and impregnable pretext for refusing to commit themselves to a positive policy as regards the Atlantic Pact. They probably calculate that we can secure all the advantages of being within the ambit of the Pact without any of the disadvantages of subscribing to its terms, and that finally, as so often before, our conduct will be magnanimously forgotten or forgiven.

Political Results

THIS policy of pretended neutrality—for unless we are all liars as well as humbugs it can only be a pretence—is also apparently presumed to be the policy most likely to appeal to the Irish people, and therefore the winning policy in the event of a general election. Mr. Costello, who no doubt regards Mr. de Valera as a more immediate menace than Stalin, is not prepared to risk losing this trump card to his opponent whatever the ultimate consequences. Moreover, such neutrality has the added merit of preserving the unity of his coalition Government; for it is pretty certain that neither Mr. Mac Bride nor Mr. Norton, the vice-premier and Labour party leader, could in any event induce their respective followers to support a policy which entailed military co-operation with Great Britain. It will be observed that, in the statement of policy already referred to, all Mr. Mac Bride promised we would give in return for the British betrayal of Northern Ireland was that Ireland would "not constitute a source of danger or embarrassment to Britain in time of war"; in other words, merely "colourless neutrality" but not of the spiritual variety! Even that eloquent advocate of Anglo-American co-operation, Mr. James Dillon, the Minister for Agriculture, does not, or perhaps will not, realize that the Atlantic Pact is in effect the very Anglo-American Commonwealth for which he prays, writ firm and large.

Mr. Mac Bride in America

THE reactions of the American Government to Mr. Mac Bride's specious arguments having apparently been negative, it was clear that his visit to America during April, although ostensibly for the purpose of taking part in Irish-American celebrations on the inauguration of the Irish Republic, was

really of a more exploratory nature. After an interview with Mr. Dean Acheson, the American Secretary of State, on April 11, Mr. Mac Bride stated that the conversation had not altered Ireland's position, and it was clear that if his intention had been to secure American support for his Government's policy he had not succeeded. Addressing the Overseas Writers' Club in Washington on the following day he delivered himself of several sonorous platitudes concerning the world situation. Having solemnly declared that "another war might end civilization" he called for "a more fundamental approach than military preparedness to world problems" and said that however necessary such preparedness might be it could not provide a solution in itself. After praising the Marshall Plan as a "statesmanlike and constructive approach" to the problem of peace he proceeded to restate the position of the Irish Government as regards Partition, adding that they "approved the concept of Atlantic co-operation, but it must be co-operation" in which "we must all be prepared to seek a solution of the conflicts among ourselves". Mr. Mac Bride seems completely to overlook the fact that the Atlantic Pact was only entered into when every possible means of conciliating Russia had been tried and failed. For him the long trail of abortive conferences and discussions from Yalta to New York might never have been blazed. One cannot resist the conclusion that Mr. Mac Bride was chiefly concerned to create (as has recently been well said in another context) "the uneasy feeling that the armed defence of civilization, which may be necessary, might destroy it as effectively as a series of bloodless surrenders to a more resilient barbarism".* Nor does it seem reasonable to talk of forcing the people of Northern Ireland into an Irish Republic as merely a question of co-operation. If co-operation in defence were all his Government required their wishes could be met overnight. It is, however, something far other they demand, namely, the extinction of a free community whose claim to maintain its existence is based on "open covenants openly arrived at". It should be obvious to the merest political tiro that, quite apart from the fact that the coercion of Northern Ireland is contrary to American policy and would give rise to deep religious discord in America itself, the American Government is not likely to interfere in the domestic affairs of the United Kingdom for the purpose of destroying its only strategic bridgehead in Ireland.

Public Criticism

THE policy of the Irish Government as regards the Pact has not lacked pertinent criticism in Ireland. Professor James Hogan, who holds the Chair of History in University College, Cork, and is a national figure of high integrity, has in a powerful article† declared that it is an error of the first magnitude from every point of view, and that the Government's decision was arrived at without examination or discussion in the press, on the platform or in Parliament. The Government have, he points out, without any compulsion, committed themselves to a policy of neutrality so far as military resistance to Communist imperialism is concerned, for membership of the

* *The Times Literary Supplement*, April 9, 1949. † *Sunday Independent*, March 6, 1949.

Atlantic Pact has become the acid test of the will to participate in the military defence of the West. We must, he says, no matter how unpalatable the reflection, face the fact that by staying out of the Pact we are doing a turn for Stalin and pursuing a policy which can do us no good in the eyes of the friends of freedom anywhere. He concludes that to put the question of Partition before the great world issue of Christian survival, and the survival of the very possibility of freedom, public or private, national or international, is to be lost to all sense of values. Such a policy, he claims, can only be described as the rankest kind of opportunism and as unworthy of a Christian nation. Professor R. A. Breatnach, also of University College, Cork, has twice challenged Mr. Dillon, who resigned from the Fine Gael party during the war on the issue of neutrality, to state publicly his reasons for not resigning on the same issue from the present Government, but Mr. Dillon has wisely remained silent; for, indeed, no answer is possible.

Contradictory Policies

BUT although the Government is not prepared to join in laying the foundations of the European structure it has somewhat illogically agreed to assist in the construction of the roof. At the recent diplomatic conference in London concerning the constitution of the Council of Europe Mr. Dulanty, the Irish High Commissioner, and Mr. F. H. Boland, the Secretary of the Department of External Affairs, represented Ireland; and Mr. Mac Bride himself is to attend the subsequent meeting of Foreign Ministers to consider the draft constitution, which is to be held on May 3. So far from having learnt anything from the results of his Government's policy, Mr. Costello was recently (February 15) foolish enough to boast that his Government had brought Partition up to the international plane. This is, indeed, true if he means that our secession from the Commonwealth and our refusal to join the Atlantic Pact have made our Northern border international and therefore guaranteed by that instrument. His further statement that he wants no bitterness and no strife suggests that he is becoming alarmed by the ominous antics and demands of his more extreme followers. These include such hare-brained projects as a proposal that the Nationalist members of the Northern Parliament should take their seats in the Dáil, that there should be no co-operation between the two Irish police forces, and that the laws passed by the Dublin Parliament should be applicable to Northern Ireland. It is to be hoped that the large sums of money recently subscribed to the Anti-Partition Fund will be kept under strict control, for the present fear of the Northern people, Unionist and Nationalist alike, is that the gunmen who call themselves the I.R.A. will be allowed to use the rest of Ireland as a base from which to invade and destroy the peaceful and friendly relations that have now been established in Northern Ireland between Protestant and Catholic. It is not enough for Mr. Costello to say, as he did in his St. Patrick's Day address, that the great need of the world is peace on foundations of justice and that such a peace can only be obtained by tolerance, goodwill and co-operation, not by brutal intimidation and threats of force. These noble principles must also be applied in practice,

not only in the world at large but more particularly in our own domestic relations with Northern Ireland, where they have been singularly lacking since 1921. They could even be practised in the Dáil itself, where "envy, malice, hatred and ill will" have raised their ugly heads on several occasions during recent months. The humiliating aspect of these disorderly scenes is that the guilty parties are invariably the leaders of both sides who should be setting an example to their followers. It is tragic to find the men who differed in the Civil War, now old and grey, still obsessed by their personal hatreds, and there is little hope for our new Republic until policy rather than personality becomes the basis of party cleavage. The recent almost unanimous decision of the Amalgamated Unions in Northern Ireland to support Partition may hasten the union of the Dublin Labour parties with each other and with Mr. Mac Bride's minute Clann na Poblachta, thus constituting a real party of the Left. In that event we may soon see a more realistic orientation in Irish politics.

Christening the Republic

ON Easter Monday, April 18, the anniversary of the Rebellion of 1916, the Irish Republic, which has existed in substance if not in name for the last twelve years, was fully baptized.* The occasion was celebrated by military parades and religious ceremonies in Dublin, Cork and other centres, where large holiday crowds watched, for the most part in apathetic silence, the examples of our military impotence which these displays revealed. A sardonic extremist poet described the proceedings as "bunting and bunkum". The lack of public enthusiasm was ascribed by one official radio commentator to "a sense of awe"! In truth there was a general feeling of anti-climax. The Dublin Corporation refused to decorate the streets, and in Cork the celebration was organized by the military. Many messages from the heads of other States, including a notable and generous tribute from His Majesty King George VI to the help given by our people during the war years, conveyed their good wishes to the new Republic. Sir Basil Brooke and Mr. de Valera were both unfortunately silent, the former presumably refusing to recognize the Irish Republic because it claims that its territory includes Northern Ireland, and the latter because it does not in fact do so! So a long conflict ends, at least for the present, in the international division of Ireland.

Was it for this the wild geese spread
The grey wing upon every tide;
For this that all that blood was shed,
For this Edward Fitzgerald died
And Robert Emmet and Wolfe Tone?

For 150 years two different schools of thought have contended for supremacy in Irish politics; on the one hand were those who believed that the interests of both Great Britain and Ireland could be best served by the maintenance of fundamental unity under one king, whatever the form of political machinery employed; on the other those who, ignoring economic

* By the bringing into force of the Republic of Ireland Act.

and strategic facts, demanded the complete independence of Ireland. To the first school belonged not only champions of Unionism like Saunderson, Carson and Craigavon, but also such Nationalist leaders as O'Connell, Butt, Parnell, Redmond, and even Griffith, the founder of the Sinn Fein movement, whose "Hungarian" policy demanded the establishment of a dual monarchy for the two islands. Unfortunately, however, those who believed in the fundamental unity of these islands were themselves divided on the issue of how this was to be achieved; one group, which is now represented by Northern Ireland, refusing to relinquish any political ties with Great Britain, the other demanding full local autonomy. Through this division the separatist minority has now triumphed, for it should never be forgotten that if the whole of Ireland had taken part in the referendum on Mr. de Valera's Republican Constitution of 1937 it would have been decisively rejected. Ironically enough the final act of separation has been consummated, for tactical reasons, at the instance of a party pledged to "unequivocal membership of the British Commonwealth". This callous repudiation of public pledges must for long poison Irish politics.

Through separation a new and healthier unity of thought and purpose between Great Britain and Ireland may eventually be secured; this, however, is only possible if we are prepared to accept the results of our actions, which is far from certain. We must realize that by establishing a republic we have increased our responsibilities but not our power or our freedom. We must remember that toleration and co-operation, both national and international, can alone secure real Irish unity. It is to be hoped that the Government of our new Republic, when they return from 1916 to 1949, will find time to consider what Mr. Bernard Shaw has rightly called "those terrible vital statistics"* on the improvement of which, far more than on the ending of Partition, our national survival depends.

The Republic of Ireland,

May 1949.

* *Irish Times*, April 19, 1949. "The low standard of living is reflected in the low marriage-rate—the lowest of any country for which statistics are available; the high infant mortality rate, and the high incidence of tuberculosis." (E.C.A. Report on Irish conditions, April 2, 1949.)

THE PARTY FIGHT IN CANADA

PROSPECTS FOR THE GENERAL ELECTION

THE Federal Parliament was dissolved on April 30 and the voters of Canada will elect on June 27 a new House of Commons, whose membership will be enlarged from 245 to 262 as the result of a redistribution Bill passed in 1948 and the allotment of seven seats to Newfoundland, now the tenth province of Confederation. The motives for holding an election a year before the statutory life of the present Parliament expires are twofold—a desire to capitalize, before it evaporates, the gratitude of the voters for the welcome abatements of taxation decreed by the recent budget, and a fear that an economic recession and resulting unemployment might make conditions in the autumn or next spring less propitious for securing a fresh mandate for Liberalism. And the final impulse for the decision to dissolve came from the favourable receptions which the Prime Minister encountered in a speech-making tour undertaken during the Easter recess through the four western Provinces, regarded as the territory least friendly to him.

The campaign now begun promises to be much keener and more interesting than the last two contests, held during the war, in both of which the victory of the Liberals, led as they then were by a veteran expert in the arts of electioneering like Mr. Mackenzie King, was a foregone conclusion. But in 1945 the Liberals had their parliamentary majority pared down to a very narrow margin and were only credited with about 39 per cent of the total popular vote; and a series of adverse by-elections indicate that there has been a considerable erosion of their support. Moreover, the fact that about a million voters, including the Newfoundlanders and members of the armed forces, who were unable to vote in 1945, will cast their ballots in a Canadian election for the first time introduces an element of uncertainty into the battle and makes prophecy about its outcome a hazardous adventure.

Preliminary manoeuvres for position in the election bulked large in the proceedings of the late session, which lasted just over three months, but it was the liveliest for many years. In the years elapsed since the outbreak of the last war the Liberal Ministries of Mr. King, faced with the feeble opposition of three discordant groups and armed with quasi-dictatorial powers, had been able to treat the House of Commons as a rubber stamp for their policies and measures; the consequence was a serious decline in the prestige of Parliament. But last session the House of Commons became once more a real Parliament, in which there was an equality of debating power and the legislation and policies of the Government were subjected to careful examination and constructive criticism.

In his first session as Prime Minister Mr. St. Laurent led the House with conspicuous skill and dignity, and effectively dissipated the fears of many Liberals that the loss of Mr. King's experienced leadership could not be easily repaired. He always had the ear of the House for speeches which,

stripped of their earlier legalistic flavour, stated the case of the Ministry with vigour and lucidity; and he showed great resourcefulness in coping with the persistent attacks of the Opposition, while his habitual fairness and courtesy won him general goodwill. But the chief credit for the reinvigoration of Parliament belongs to Mr. Drew, the new leader of the Progressive-Conservatives. By his gifts as a debater, his skill as a tactician and his tireless industry he transformed the official opposition into an effective fighting force, which it had not been for years, and made great progress in convincing the country that it could provide a competent alternative administration. His aggressive tactics, however, were responsible for some stormy scenes, which necessitated the firm intervention of the Speaker; but he emerged from the session with his reputation as a parliamentarian very high. For the minor parties the session was comparatively unprofitable, and they allowed the Progressive-Conservatives to make the pace as critics of the Government. The brevity of the session naturally made its record of accomplishment comparatively meagre, and the chief items in it were the measures necessary for the admission of Newfoundland and for Canada's adhesion to the Atlantic Security Pact and the international wheat agreement. The budget, which was submitted on March 22, showed a very substantial surplus, 575 million dollars, which argued a healthy condition of the national finances; and it fulfilled predictions that it would offer a generous relief to the taxpayers, of whom some 750,000 were exempted by it from any income taxation. But the sudden dissolution of Parliament compelled the abandonment of a number of important measures, such as those dealing with the abolition of appeals to the Privy Council, the Geneva trade agreements, the treaty about the St. Lawrence Waterway and special financial assistance for the steel and shipbuilding industries. The Opposition complained that the summary interruption of the budget debate had enabled the Government to evade a proper scrutiny of the national accounts before the election, but acquiesced in the passage of sufficient interim supply to carry on the business of government until the new Parliament meets in September and passes the budget.

The Liberal Record and its Challengers

IN the campaign the Liberal party will base its main appeal for a new mandate upon its administrative record since 1945 and the pledges of its revised platform to follow a path of progressive reform. It will claim that its Ministry helped to bring the war to a victorious conclusion and has been ultra-generous in its treatment of all who served in it, and their dependants: that it has handled the problems of post-war reconstruction with such skill and success that in 1948 the national income climbed to a record height and a state of virtually full employment prevailed: that it has taken steps to safeguard the security of the country by subscribing to the Atlantic Security Pact and to maintain its prosperity by a liberal trade policy, in which participation in the Geneva trade agreements is a cardinal feature: and that through its careful stewardship of the nation's finances it has been able to reduce both debt and taxation. It will also make great play with its inaugura-

tion of a system of family allowances, which are a great boon to families with small incomes, and will stand firmly by its plan for a greater centralization of financial authority at Ottawa for the purpose of securing the funds required to complete its comprehensive program of social security.

During the session the parliamentary strategy of the Progressive-Conservatives aimed at convincing the voters that the Liberal party after fourteen years of power could only provide a feeble and inefficient administration; that it had forsworn many of the fundamental principles of Liberalism and undermined the authority of Parliament; and that its encouragement of a spirit of autocratic bureaucracy in the civil service and its retention of controls, which were not needed and which interfered with the system of free enterprise, were clear proof that Canadian Liberals had become infected with doctrines of the Left and were nothing better than "Socialists in low gear". Mr. Drew and his lieutenants will ring the changes upon this thesis during the campaign and they will also declare that the defence program of the Government is quite inadequate for the fulfilment of Canada's obligations to her allies, that it has been vitiated by mismanagement and extravagance and that the realities about some curious transactions in connexion with orders for aircraft have been wrongfully concealed on the pretext that reasons of security forbid full disclosure of information about them. They will blame the Government for its failure to devise adequate policies to check the progressive deterioration of export trade, which is visible, and in particular to avert the loss of oversea markets for farm products; and they will argue that Canada is headed for a serious depression unless the Progressive-Conservatives are given immediately an opportunity to put in force the policies of their new program, which they will parade as sincerely progressive. They hope to win all the constituencies in which gold-mines are located by their pledge about the devaluation of the Canadian dollar, which would raise the price of gold mined in Canada. They will also press home the argument that it is time for a change of government; and two striking victories, which they achieved at by-elections held early this year, suggest that not a few voters are in a mood to listen to this argument. They will frown upon any attempts to raise racial or religious issues, but in the sections where Protestantism is the dominant creed, as in western Ontario, the acute distaste of many voters for entrusting the highest office in the country to a French-Canadian Roman Catholic will operate in favour of Mr. Drew. It is in French Canada, however, that the election will be decided.

The Voice of Quebec

THE record of Federal elections since 1917 proves clearly that, as long as the French-Canadians elect to vote in them for the Liberal party in an almost solid *bloc*, there will not be enough conservative voters in English-speaking Canada to provide a parliamentary majority for Mr. Drew and his party. Accordingly the paramount concern of the latter is to capture a substantial proportion of the 73 seats now allotted to the province of Quebec, which gave them only two supporters in 1945. For this purpose their strongest card is their opposition to the plan of the Liberals for a greater

centralization of financial authority. Undoubtedly it is regarded with great suspicion in Quebec, whose French-Canadian population, traditionally jealous of their provincial autonomy, are fearful that any such aggrandizement of the Federal authority might pave the way for assaults upon their precious racial rights and privileges.

This suspicion and fear were very successfully exploited by Mr. Duplessis, the *Union Nationale* Premier of Quebec, in a provincial election held in July 1948, in which, making centralization the chief issue, he completely routed the Liberals and reduced them to a feeble minority in the local legislature. To-day Mr. Duplessis is in a very commanding position in Quebec and has a well-oiled and efficient political machine under his control. The natural sympathies of a politician who was once provincial leader of the Conservative party in Quebec were strengthened when he and Mr. Drew, then Premier of Ontario, co-operated vigorously to resist the Liberal plan of centralization; and, since this issue is still alive, their *rapprochement* persists. All observers agree that it was the powerful help of Mr. Duplessis's formidable machine that enabled a Progressive-Conservative candidate to win a by-election held early this year in the Nicolet-Yamaska division of Quebec, rated a Liberal stronghold, and offered the first gleam of real hope for many years that the French-Canadian voters were at long last disposed to forgive the Progressive-Conservative party for its advocacy of unlimited military conscription during the two world wars.

Undoubtedly Mr. Drew and his campaign managers have been encouraged by this result to believe that the help given in the by-election was an earnest of unstinted co-operation in the general election on the part of the *Union Nationale* party, and it may yet be forthcoming. But there are obvious dangers for both parties in an open alliance. A working concordat in the Federal arena between Mr. Drew, the most ardent imperialist in Canada, and Mr. Duplessis, an extreme isolationist, who opposed Canadian participation in the Second World War and in the last provincial election attacked the Liberals for indefensible generosity to Britain in the matter of loans and credits, would appear to many Canadians as an opportunist adventure, stamped by political cynicism, which deserved rebuke; and the possibility of a serious backwash against Mr. Drew in Ontario and the West could not be ruled out, because in these regions the very name of Mr. Duplessis is by reason of his anti-British record anathema to many Conservatives. However, in defence of their attitude the Progressive-Conservative promoters of the alliance advance the thesis that Mr. Duplessis is really at heart a genuine Conservative, who has been compelled to assume the *Union Nationale* disguise in order to overcome the prejudices unfairly aroused against his original party by unprincipled Liberal politicians and that, once this objective is achieved, he will make no difficulty about accepting, even in regard to Imperial relations, the general program of the Progressive-Conservative party. So far, however, Mr. Duplessis has kept his own counsel and given no overt indication that he intends to abandon his official attitude of complete neutrality towards the Federal parties. It is true that Mr. St. Laurent, who is half-Irish by blood, cannot make quite the same appeal to

French-Canadian racial emotion as Sir Wilfrid Laurier did, but so shrewd a politician as Mr. Duplessis will sound public sentiment very carefully before he takes the risk of exhorting his racial compatriots to vote for an imperialist from Ontario like Mr. Drew in preference to such a distinguished native son of Quebec as Mr. St. Laurent, and to help in ejecting from office the second French-Canadian who has headed a Canadian Government. If his tests of public opinion indicate no widespread enthusiasm for Mr. Drew in Quebec, then Mr. Duplessis will content himself with giving surreptitious help of a limited nature to his friend, who will have to rebuild his party's now derelict organization in French Canada at very short notice.

The Minor Parties

THE general level of Canada's prosperity remains at the moment too high for any of the three factions into which the forces of the Left in Canada are split to make any serious headway in the coming election; but, since they polled between them over 20 per cent of the total popular vote in 1945, they cannot be disregarded. The Communists, now disguised as Labor-Progressives and badly discredited by the imprisonment of some of their leaders after conviction for disloyal activities, will nominate candidates for a few urban seats without any hope of success and use the election for purposes of propaganda. The aspirations of the Social Crediters to build a nation-wide party have come to naught as the result of the farcical performances of most of their thirteen representatives at Ottawa, all save one of them from Alberta; but they may hold their seats in that province with the help of the machine of the provincial Social Credit Ministry, which secured a fresh lease of power in 1948. This Ministry has never made any serious effort to give practical application to the financial and economic theories associated with the name of Major C. H. Douglas; and now that the revenues accruing from the discovery of immensely rich oilfields in Alberta have placed it in a very happy financial position and created a boom in the province, its members and some of the Federal leaders of the Social Credit party have relapsed into such a comfortable conservatism that their pronouncements about the system of free enterprise and imperial relations are indistinguishable from those of the Progressive-Conservatives and they are counted as potential allies of Mr. Drew.

The strongest of the minor parties is the Co-operative Commonwealth Federation, whose thirty-two members in the late House of Commons advocated persistently a program of full-blooded Socialism, modelled on the platform of the British Labor party. They are the only party which is in a position to make political capital out of the widespread grievances of the public about the high cost of living; and this advantage, coupled with their formal recognition as the political instrument of the Canadian Labor Congress, which is the Canadian counterpart of the C.I.O., may help them to make gains in urban seats in Ontario, where the Labor vote is dominant. But they are expected to lose some seats in Saskatchewan, their chief stronghold, where the policies of the local C.C.F. ministry have antagonized former supporters among the farmers and there are signs of a revival of

Liberal sentiment. Another handicap has arisen as the result of a provincial convention of the party in British Columbia, at which a majority of the delegates repudiated the support given by Mr. Coldwell, their Federal leader, and his followers at Ottawa to the Atlantic Security Pact and thereby revealed a serious fissure in the party over a major issue. Furthermore, during the session just ended Mr. Coldwell has been completely eclipsed by Mr. Drew as the most effective critic of the Government, and the prestige of his party has suffered as a consequence. An economic slump, which some authorities think is not far away, would raise the stock of the C.C.F., but, until it can achieve a considerable increment of its present negligible voting strength in the territory east of Ottawa, which will return more than two-fifths of the members of the new House of Commons, it has no prospect of a parliamentary majority.

If, however, neither of the senior parties secures a working majority in the Commons, the minor parties will hold the balance of power and become the objects of ardent courtship. The vendetta which the C.C.F. and the Social Crediters have waged against each other for years makes it inconceivable that they will ever be ranged upon the same side; and if Mr. Drew can, as the Liberal press alleges, count upon the co-operation of the Social Crediters, he must also reckon with the resolute hostility of the C.C.F. So far from making any effort to conciliate them, he has branded them as crypto-Communists and alienated them so effectively that during the session the C.C.F. members voted consistently against all his motions and supported the Government, except in one solitary division. In these circumstances Mr. St. Laurent sees the wisdom of keeping on good terms with the C.C.F. and, when he visited Saskatchewan on a speech-making tour during the Easter recess, he went out of his way to make friendly references to the C.C.F., whom he described as "Liberals in a hurry". Mr. Drew lost no time in pouncing upon this observation and using it as a text for exhorting the Conservative elements of the country to rally to his banner and save Canada from the dire consequences of the rule of an alliance of the Liberals, the "Socialists in low gear", with their political helpmates, "The Liberals in a hurry".

The Liberals obviously intend to make great play with the claim that they are the only party with a reasonable prospect of obtaining a clear majority in the Commons and that it is the duty of voters who want a stable administration to free them from their present embarrassment of a trivial majority. They feel confident that if there is not a serious political upheaval in Quebec they can count upon retaining a greater number of seats than the Progressive-Conservatives can hope to win, and that in that event they could rely, in return for a few judicious concessions to the C.C.F., on the support of this party in a vote of confidence in the new Parliament and keep Mr. Drew in the shades of opposition.

Canada,

May 1949.

GREATER RHODESIA

AN EXAMINATION OF THE FEDERAL PROPOSALS

A SCORE of good reasons can be seen in favour of a merger between Southern Rhodesia, Northern Rhodesia and Nyasaland, and only one against. Yet, like the single lamb strayed from the fold, that one objection has hitherto outweighed, and may yet again outweigh, the many advantages of a proposal that has for over thirty years been on the Central African *tapis* in the shape of amalgamation, and is now once more being forcefully canvassed under the name—legally perhaps inaccurate, but in practice convenient—of federation.

The *pros* can be quickly listed. Here are three segments of the Empire, contiguous, sparsely populated, partially developed, and delineated by arbitrary lines dividing only bush from bush, veld from veld, and the African from his brother. The circumstances of these three countries are, in the main, identical. All are land-locked, and share the handicap that their lines of communication are long and costly and their outlets to the sea in the hands of others. (Both Beira, on the east coast, and Lobito Bay to the west are Portuguese.) Droughts plague them all, and all are face to face with identical problems of fast-rising population pressure on the limited areas of productive land, of declining soil fertility, of human and animal disease, of poor water-supplies, of low labour efficiency, of the relations between a small white community and the large black one amongst which it is set.

Economically, the three are interdependent. Southern Rhodesia's coal maintains the Northern Rhodesian Copperbelt, and markets for her sprouting industries lie to the north. Labour from Nyasaland flows into both Rhodesias, and some Rhodesian mining wealth, through taxes, back into Nyasaland's revenues. In the name of common sense and efficiency most services need to be pooled, and the situation ended wherein three separate and costly governments, each set over a population no larger than that of Philadelphia, conduct, on their own, services logically common to all, such as transport and communications, research, defence (what there is of it), development, trade and fiscal policy (customs barriers divide these countries and taxation varies widely), labour relations and attacks on various problems of health, animal husbandry, agriculture and the fostering of industry. As for the future, few people, even among the foes of federation, would dispute the summing up of Sir Miles Thomas, chief architect of development projects in Southern Rhodesia: "It is essential that the African countries should keep pace with modern developments, and they must combine in larger economic units if they wish to survive."

The one obstructing factor is the deep cleavage between the native policies of self-governing Southern Rhodesia on the one hand, and of the British Government, as carried out through the Colonial Office and the dependent Governments of Northern Rhodesia and Nyasaland, on the other.

It is easy to be tendentious and unfair about this matter of native policy. Southern Rhodesians, and indeed Africans in Northern Rhodesia, point out with truth that more, much more, has been done in many native areas in the south to make life better and opportunities wider for the African than in most of Northern Rhodesia and Nyasaland, for which the British Government is the self-appointed, and sometimes self-righteous, trustee. Welfare schemes only talked about in the Protectorates may be going concerns in the self-governing colony. Southern Rhodesians have no need to be ashamed of their record, nor is there any reason to suppose that they will in future neglect their duty to the African.

The African and his Future

BUT what is that duty? There's the rub. In Southern Rhodesia it is seen, at its best, as benevolent paternalism. Sir Godfrey Huggins, the Prime Minister, has spoken of the rule of a "true aristocracy". Democracy as we have come to understand it, namely, unqualified rule by the majority, must be struck out, since to hand over power to the African majority would be to commit race-suicide, and white Rhodesians are far too robust to acquiesce in their own extinction. They see themselves as a bastion of British order and influence in a world becoming increasingly hostile and chaotic. To hold fast to white supremacy involves segregation, so long as the two races follow widely different standards of living. Yet Rhodes' great maxim "equal rights for all civilized men" has not been rejected. Politically, the franchise is open to Africans. In practice, less than 300 have as yet exercised it, thanks mainly to stiff property qualifications; but in theory no man is debarred from casting his vote. Segregation once granted, the limits of what may be done for the African, and of what he may do for himself within his own sphere, may be set only by the pace of economic progress and by the African's own capacity and ambition. But there must be two worlds, not one. Rhodesian native policy, therefore, is basically a matter of white self-preservation. And on self-preservation there is little room for compromise.

The British policy of trusteeship is equally clear. Africans are to be trained as quickly as possible for complete self-government, not a circumscribed version of it. (This begs the question of whether people can in fact be trained to be democrats as they can be trained to be carpenters or doctors; the official assumption is that they can.) In due course each country, as it matures, is to pass on to self-governing status with majority rule, as has occurred in India, Burma and Ceylon. Since in all African countries the majority is black this, of course, implies the subjugation of Asiatics and Europeans. On the west coast, the whites are expected to withdraw. What will happen in East and Central Africa, with a permanent settler element, has never been made clear. This ambiguity is a notable weakness in British African policy, and lies at the root of most political trouble in these parts of the continent, nourishing the baneful spirit of insecurity and fear.

Here, then, is the basic issue that for thirty years has kept these three countries separate. On the one hand, white supremacy, now and for ever;

on the other, trusteeship now and black supremacy hereafter. Seldom can there have been an issue on which compromise is harder to reach. Can any compromise indeed exist between two such contradictory aims? It has not been found yet. The Secretary of State for the Colonies, Mr. Creech Jones, and Sir Godfrey Huggins are searching for it at the time of writing in Salisbury and Lusaka. If they find it, federation will go through, and if they fail it is likely once more to be thrust back into the limbo of inexpediency.

Earlier Approaches to Union ✓

SUCH has been its fate four times already. The first occasion was in 1916, when the directors of the British South Africa Company, who then administered Northern Rhodesia, drew up a scheme for amalgamation which, presented in the form of a draft Order-in-Council to the Southern Rhodesian Legislative Council, was opposed by most of the elected members and therefore dropped. A proposal to join the Union of South Africa was rejected by referendum in 1922. In 1923 Southern Rhodesia, with a white population of about 40,000, attained self-government,* and in the following year the Crown took over Northern Rhodesia from the Chartered Company. The second occasion came in 1931, when settler representatives on the Northern Rhodesian Legislative Council took alarm at the Labour Government's white paper on native policy in East Africa (Cmd. 3573 of 1930), with its famous declaration on the "paramountcy of native interests", and pressed for amalgamation with their more fortunate "free" neighbour. This the British Government turned down, while not rejecting "the idea of amalgamation in principle".

In 1933 the Northern Rhodesian unofficial members introduced into their Legislative Council a motion favouring amalgamation, which the local Government rejected. By now the fabulous growth of the Copperbelt had turned Northern Rhodesia from a financial liability into a likely source of wealth, and Southern Rhodesia made the next move. This was to convene a conference at Victoria Falls, in 1936, attended by all the unofficial members from the north, which called for early amalgamation under a constitution "conferring the right of complete self-government", and asking the Home Government to receive a deputation to discuss the matter. The proposal then received its third rebuff. In turning it down, however, the British Government held out a sop in the form of a promise to talk the matter over with the Prime Minister of Southern Rhodesia during the Coronation celebrations in 1937. This was accepted, and led in the fullness of time to the appointment of a Royal Commission under Lord Bledisloe's chairmanship, which visited the scene in 1938 and examined in minute and painstaking detail the case for and the case against amalgamation. (Nyasaland had taken little part in these discussions, but its obvious destiny lay, and lies, in linking up with its larger neighbours.)

The result was a fourth "no"—not, again, absolute and final; the principle was once again accepted, but once again the time was thought unripe. The Commissioners saw plainly that many services ought to be jointly conducted,

* Subject to the reservations mentioned below (p. 231).

and out of their cautious suggestions grew the Central African Council, a body set up in 1945 and now in full activity. Consisting of the Governors of the three countries, with a secretariat in Salisbury, it co-ordinates and formulates, and has in fact carried out some useful work, such as the setting up of joint bodies to control civil aviation, to broadcast and make films, to publish books and periodicals in African languages, to gather statistics, study building methods, plan development and compile archives. No one disputes the Council's utility, but its powers are too limited to give it scope as an effective and dynamic central authority. It can advise only, advise and discuss, it can take no action and, like the old Governors' Conference that preceded the present East African High Commission and Central Assembly, it has no machinery for hearing public opinion. Only too clearly a useful stopgap, set up *faute de mieux*, the Central African Council provides no real answer to the question of how to equip these three linked countries with a heart and a brain.

Now the proposal is taking its fifth run at the fence, and under a new spur of urgency. The need for economic development presses harder than ever. Great things are afoot in the Rhodesias: such projects as the huge combined hydro-electric and irrigation schemes at Kariba Gorge and on the Kafue river, the big steelworks at Que Que whose output is to be increased five-fold, and the raising of dollar-saving output on the Copperbelt from some 213,000 tons last year (itself a record) to an estimated 350,000 tons in 1953. Such large-scale projects not only compete for Southern Rhodesia's coal and Nyasaland's man-power, but cannot be planned sectionally. The single question of getting the tonnage away through ports already desperately congested cries out not for central consultation but for central control.

Politically there are new factors also. The biggest is the least defined, as yet a fuzzing of the horizon, scarcely even a cloud. Yet there is something in the air that can be felt, and this is fear of the rise of Communism, or of subversive doctrines closely allied. It is said that only if control is unified can this encroachment be withstood. How a pooling of resources can in fact strengthen resistance against the spread of doctrines from within is not quite clear; a man might preach the gospel of Marx, or listen to it, as well in a federation as in a protectorate; but the instinct to join forces in face of trouble, or the threat of trouble, under a central high command, is natural enough. In both Rhodesias to-day political figures strongly support the federal moves: in the south Sir Godfrey Huggins and in the north the dynamic new leader of the elected members, Mr. Roy Welensky, spokesman of the white labour interests.

✓ The Victoria Falls Conference

THE fifth assault was formally mounted at a conference held last February at Victoria Falls. Sir Miles Thomas took the chair. Sir Godfrey Huggins attended with his able Finance Minister, Mr. E. C. F. Whitehead; headed by Mr. Welensky, several of the elected members of both Protectorates' Legislative Councils were there. It was a short conference and successful;

on general principles all agreed. Amalgamation, the whole-hog proposal, has been dropped. Federation is now the aim, the Australian constitution the model. A new Dominion is envisaged, with powers of self-government wider even than those possessed by Southern Rhodesia. There are still a few strings tied to Rhodesia's cloak of independence. The British Government conducts her relations with foreign Powers and must give approval to legislation affecting native interests before it can become law. This last provision might give the Home Government wide powers, since a great deal of legislation affects native interests in one way or another. In practice it has never once been invoked in all the twenty-five years of Rhodesia's independence. Should the federation become a full-fledged Dominion, even these strings would disappear.

The actual proposals discussed at Victoria Falls have not been published and have been referred to a small expert committee. When agreed on they are to be submitted in a referendum to the voters—which means the Europeans—of the three territories, and only then put before the British Government. Enough has been said about them to make their general outline clear. There are to be two Houses, a lower elected by Europeans, an upper consisting of representatives of the three countries in equal numbers. Such matters as communications and transport, defence, research and technical services, fiscal policy and development would be handed over to the federal authority, the rest dealt with by the present units, which would assume the status of semi-autonomous provinces. Taxation would be unified, and the federation supplied by the major sources of revenue, such as Customs and income tax, which would be surrendered to it. Native affairs, in so far as these can be separated from the affairs of the whole territory, would be reserved to the states or provinces. For instance, the proposal is that European education should be a federal, and African education a provincial, responsibility.

These federal proposals are an attempt to break the deadlock arrived at between the two opposing concepts of native evolution. If Northern Rhodesia and Nyasaland could retain control over their own native policies then fear of surrender to white supremacy might be dissipated; at the same time, Africans could take over more and more control of their local affairs. African self-rule might still come, though inevitably limited. Doubts are growing as to the potential ability of small, self-governing states to survive in a harsh modern world under the sort of African leadership they seem likely to get in the near future, and limited but relatively stable self-rule under the wing of a strong federation might turn out to be a less illusory benefit than wider powers over a weaker and poorer land.

That is the idea, at any rate; whether it will work is another matter. In Southern Rhodesia there are some 110,000 Europeans, in Northern Rhodesia 30,000, in Nyasaland a mere 2,200. In any elected federal House based on white population, Southern Rhodesia would therefore have the lion's say. No separation of powers could prevent the action of an elected House controlled by Southern Rhodesians from profoundly affecting the lives and fortunes of the six million Africans living within the potential federation's

borders. It is true than an upper House, in which Southern Rhodesians might be outnumbered, could hold a power of veto, and true also that the British Government might reserve the right to disallow legislation it believed unjust. The issue, however, is not so much one of justice as of the direction in which these countries are to evolve.

The Prime Minister of Southern Rhodesia has said that he is willing to see native representatives sitting in the Upper House. By implication he is not willing to allot places to Africans in the House of Assembly where the real power would lie. This is fully consistent with the Rhodesian policy of keeping control in European hands, but would mean that six million Africans would go unrepresented in a central body elected by less than 150,000 Europeans.

Views from Whitehall and Black Kraal

IT is hard to see how any British Government could agree to this. The Labour party committed itself fully in its booklet—published, of course, before it gained office—*The Colonies: Post-War Policy*. "The Labour Party is of the opinion that these claims", it wrote, referring then to amalgamation, "should be resisted, and that no such transfer should be agreed to unless the African inhabitants desire it and unless their social and political equality with the minorities is completely assured."

The present Colonial Secretary has been brave enough to eat his party's words on previous occasions, for instance about white settlement in Kenya, and might do so again. Many things have changed since 1944. Yet it seems in the highest degree unlikely that any British Parliament would sanction a constitution which did not provide for the direct and effective voicing of African opinion. Since the war the Colonial Office has caused two Africans to be appointed to the legislature of Northern Rhodesia and two to that of Nyasaland, and, in East Africa, insisted upon the equal representation of Europeans, Asiatics and Africans on the Central Assembly set up last year to take over the joint control of certain services for Kenya, Tanganyika and Uganda.

One factor remains: the African point of view. As yet this is largely unformed or non-existent. Very few Africans in any of the countries concerned possess the background and education to enable them to form a reasoned judgment. The opinions of those who have spoken out have been hostile to amalgamation, but federation is still being pondered. Sir Stewart Gore-Browne, for many years the spokesman for native interests in the Northern Rhodesian Legislative Council, has toured the Protectorate with the two African members to address meetings and explain the issues to as many Africans as will turn out to listen. One of these Africans, Mr. Henry Nkumbula, has voiced pretty accurately such general African opinion as exists in the sentence: "Will the Prime Minister of Southern Rhodesia drop down his native policy and follow suit with that of Northern Rhodesia and Nyasaland?"

When the time comes for a referendum, the Native Representative Council in Northern Rhodesia will give voice to its views. The Barotse know theirs.

A confederation of some 300,000 who occupy the whole of north-western Rhodesia, their relations with the Crown are governed by a treaty made in 1900, and they have, to a larger extent than most Africans, retained intact their tribal structure under their Paramount Chief. The Barotse do not wish to take part in federation. Should something come of the present proposal, there seems to be no reason why Barotseland should not be separated from the rest of Rhodesia and enjoy an independent status under a High Commissioner, like Bechuanaland.

To sum up, federation in Central Africa is almost an economic necessity. The very persistence of the demand shows that it is based on reality. The problem to-day remains as it was fifteen years ago, to find a way of reconciling two opposite views of the destiny of the African. These differences may once again prove too great for reconciliation. If this is so, Central Africa will suffer through the uncertainty of its future and the halting nature of its development. But compromise is not out of the question if concessions are made. The British Government may have to sacrifice, as trustee, some measure of ultimate African self-rule in return for greater security and prosperity. The Europeans of Southern Rhodesia, on the other hand, will have to yield some measure of their resolve to confine the development of each race in separate channels. A mixed assembly is part of the price they would have to pay for federation.

They would not pay willingly, perhaps they will not pay at all; in that case federation will founder as amalgamation has done. Rhodesian leaders are now face to face with a great opportunity. Generosity, courage, and faith in the ability of both races to work as partners will secure for them the political changes and the African leadership they have long desired. It rests in their hands to grasp or to reject this opportunity.

(FEDERATION IN THE BRITISH CARIBBEAN

AN EXERCISE IN COLONIAL ADMINISTRATION

UNLIKE the majority of "movements" in human history, a more or less precise date can be fixed for the beginning of that which has been gathering momentum in recent years towards the federation of the British Colonies in the Caribbean area. While there is, of course, no record of the hour and date when the idea entered the mind of the man who first thought of it, there is abundant evidence to show when it first began to appeal to the generality of politically-minded inhabitants of the several colonies of the area. In 1921 the present Lord Halifax visited the Caribbean as Parliamentary Under-Secretary of State for the Colonies. At that time there was no positive evidence of a desire for closer association on the part of the peoples of the colonies themselves. By 1938, however, when the West India Royal Commission, under the late Lord Moyne, was sent to investigate the causes of the serious riots which had taken place almost throughout the area only a few months previously, the position had changed sufficiently for the Commissioners to find it worth while to ask the unofficial witnesses who appeared before them whether they approved of the idea of a closer association between the component territories. "Almost every witness thus questioned", they reported, "was in favour of closer union"—although it appears that few had formed any definite conclusions about the form which it should take. Somewhere, then, in the seed-bed which produced the riots was produced also the first recognizable shoot of the plant which will one day be the Federation of the British West Indies. The riots themselves sprang from the slump of the dying 'twenties and early 'thirties, so the birth of the future Federation of the British Caribbean may be placed with reasonable precision between 1931 and 1938.

Hitler's war brought to its flood a tide which had been running throughout the British Colonial Empire since the end of the previous war. Between 1939 and 1945 more numerous and more far-reaching changes of heart and thought on colonial affairs took place, both in Great Britain and in the colonies themselves, than in any similar period in the history of British colonial administration. It is no part of the purpose of the present article to enquire into the causes of this revolution, nor yet to trace the course which it has taken. It is sufficient to record that there is no part of the colonial world (not excluding Ceylon, Malta and Africa) which has been more affected by this trend than the Caribbean colonies. Indeed, the student who wishes fully to understand the changes which have come over the whole philosophy of our colonial administration since 1939 can do no better than study the history of those years in that area. The revolution in ideas can, perhaps, be best described as the abandonment of the concept of "Trusteeship" and the substitution for it of that of "Partnership". More than any

other part of the Colonial Empire the Caribbean colonies see themselves in the future as partners of Great Britain rather than as wards. The reasons for this lie deep in the history of the area since the emancipation of the slaves. There are, however, more immediate reasons which have a direct bearing on the question of the sudden access of interest in this question of federation. It might have been expected that the outbreak of war in 1939, which inevitably deferred any immediate action in the matter, might have led to a cooling of interest in it. That this was not so is due to the fact that the war brought certain developments which encouraged the emergence of a Caribbean rather than a purely insular attitude to many problems. Thus, the Report* of the recent conference in Jamaica on Closer Association records: "The two most important developments of this kind were the extension of inter-island communication by air and the growth of a regional approach to the solution of social and economic questions, of which one manifestation was the establishment of the organization of the Comptroller for Development and Welfare in the West Indies." The reasons for this are clear. Air communications made easier the contacts between representative leaders of the islands and, what is more important, caused a rapid and considerable increase of the knowledge of each other, the lack of which had for so long been one of the first lessons to be learned by a visitor or a new-comer to the various colonies in the past. As was inevitable, it was not long before those who were thus brought for the first time into easy contact with each other began to realize how much they had in common, despite their differences on important points of detail.

The Initiative from England

NEVERTHELESS, despite all these considerations which were working for a closer realization of the community of interests of the islands, it is doubtful whether much progress would yet have been made but for the initiative which the British Government has taken since 1945. In that year it invited the legislatures of all the West Indian Islands, British Honduras, British Guiana and the Bahamas to consider whether they were in favour of federation as an aim. All agreed, with the exception of the Bahamas. It is this initiative on the part of the British Government which justifies the choice of the sub-title for this article—"An exercise in colonial administration"—for if federation comes, it will be the first occasion in the history of the British Empire in which it will have come about largely as the result of an initiative taken from Whitehall. Thus it will be the first occasion on which an area will have been federated as a result of a definite act of policy by the Home Government. It would, of course, be denied by the Colonial Office or Downing Street that they had in any way thrust the idea down the throats of the colonies concerned, and this denial would be strictly true. For some people in the Caribbean territories federation will always have the taint of having been forced on them by Whitehall, but those who use that particular stick with which to beat either the British or the new Federal Government would have used any other that they could have found, or

* Cmd. 7291.

invented, if that particular one had not been ready to hand. In form the British Government, even in taking this initiative, has been true to its ideals and has not, in fact, thrust anything down the throat of anyone. It has merely asked the legislatures to discuss federation as an "aim" and then, finding a majority of local opinion in favour, has called a conference, set up a steering committee and offered its own advice and guidance towards the attainment of it. Yet (and this is the important point) it will for ever remain true that left to themselves the people of the British Caribbean would not have made the progress towards federation which has been made during the last four years. Indeed, the whole performance is one on which the British Government is to be congratulated, for it is at any rate one outstanding example of a matter on which a British Government has had a policy for a particular area of the Colonial Empire and has not feared to do everything in its power, consistent with local susceptibilities, to put it into effect. To those in the official world in Great Britain who would deny that federation has at any time been the deliberate policy of the British Government, the answer is that, if that is so, the impression has at any rate been very neatly created in the Caribbean that it is in fact the British Government's policy. Moreover, even if we accept the position that the British Government has not at any time deliberately attempted to foster federation for its own sake, it is still possible to congratulate it on the outcome. For, putting it no higher, the history of the venture will stand as a brilliant example of the type of leadership for which so many colonies have for too long looked to successive British Governments in vain. Whatever may be the strict and true interpretation of the actions and motives of the British Government in this particular exercise, the part which it has played in setting up the Federation, when it comes, will be seen to have been one of which all concerned in England may be proud and one, moreover, which will have built up a store of goodwill in the area at a time when the stock of goodwill towards Great Britain was beginning to get low.

The Advantages Expected from Federation

FEDERATION having been accepted in principle, it is permissible to ask what advantages the political leaders of the area expect to receive from it. They see, of course, the obvious advantages. It will not be found, however, that it is by these that they have been persuaded to go so wholeheartedly for the goal of closer union. Economies in administration, and such benefits as may spring automatically from the reorganization of the area, they will welcome. But they are after bigger game than that. First and foremost, there is not one of them who does not consider that Great Britain has made a sad mess of governing their countries and particularly of developing their economic resources. The word "neglect" echoes round the legislative council chambers of the British Caribbean as sparks fly off a blacksmith's anvil; but, unlike the sparks which die, such words (there are others no more complimentary) fly out of the council chambers and come to rest in the minds of the voting armies by which each principal speaker is supported. For three generations since the emancipation of the slaves they have

felt themselves unable to get their words heard in the places which they think matter. Now at last they see the chance to show what they can do for themselves and they feel themselves more than competent to take it. There are few leaders in the colonies to-day who do not believe that "Divide and rule" has been the first article of Great Britain's code for dealing with colonial territories. (It is in no small measure because the British Government's initiative in this new movement in the Caribbean gives the lie to that idea that the goodwill already described will accrue to Great Britain when federation has become a fact.) The natural corollary to such a thought is that in order to get one's voice heard in London, one must get bigger. Nowhere is this more true than in the Caribbean, and it is this idea that bears for most of those who have aligned themselves with the federalists the chief attraction of the proposals. "Let but the West Indies speak with one voice, and that a West Indian voice, and at last the long period of neglect will be over": such is the thought which is operating in the minds of men whose politics in internal matters are poles apart and whose only point of contact is the certainty that the Caribbean lands can do better for themselves than the British have done for them.

It follows that to such men "federation" means "dominion status". (A prominent local politician has even been heard to say that the programme is two years for federation and dominion status three years after that.) In truth, this juxtaposition of the terms federation and dominion status is but logical. It is true that when the Windward Islands were federated, a Windward Dominion did not immediately follow; but such a conception would have been an absurdity, and the fact that no one has yet asked for dominion status for the Windward Group is not an indication that a federated Caribbean can for long remain whatever it will be constitutionally *vis-à-vis* Great Britain in the early years of federation. We are an ingenious people when it comes to making constitutions, whether for ourselves or for other people, but the truth is that we do it better for ourselves than we do for others. For some reason or other we are wedded to the idea that responsible government can be introduced little by little, step by step. We ought to have learned by now that, in truth, there is no such thing as a half-way house to self-government. If we failed to learn that lesson in pre-war India, we ought to have learned it in post-war Jamaica. No doubt someone will devise a pre-dominion-status constitution for the federated Caribbean, but once federation has been accomplished the demand for dominion status will be irresistible—which fact brings us to the nub of the whole question: economics.

But before addressing ourselves to the economic aspects of federation, it remains to consider one important aspect of the political or constitutional field. The conference which considered the measures to be taken to bring federation into being, having accepted the principle of federation, immediately resolved: *That this conference believes that an increasing measure of responsibility should be extended to the several units of the British Caribbean territories, whose political development must be pursued as an aim in itself, without prejudice and in no way subordinate to progress towards federation.*

The point is, of course, that the fourteen colonies are all in different stages

of constitutional development, varying from the "half-way house" to self-government of Jamaica's 1945 constitution to the oldest form of constitution in the Colonial Empire, which Barbados has shared with Bermuda and the Bahamas since the middle of the seventeenth century. If federation is to be based on anything but political chaos some degree of uniformity, if not of form at any rate of responsibility, must be introduced into the constitutions of the component parts of the federation. The point is, moreover, important on two scores—first, because if something on the lines of uniformity is not introduced before federation is established the working of federation in its early years will be the more difficult, and secondly, because by its actions in this part of the constitutional field before federation is established the sincerity of the British Government not only towards federation, but also towards the whole problem of the area, will be judged.

The Economic Factors

WE may turn now from generalities such as these to the more serious aspect of the matter—economics. In this field it is not so much such questions as the financing of the federation that present the real difficulty, as the whole economic basis of a new federated dominion. Once the constitutional framework of the federation, including the integration of the separate civil services and the establishment of a federal judiciary, has been devised, the provision of the necessary revenue to sustain the federal government need present little difficulty. Thus, it would be a simple matter for the appropriate legislative authority or authorities to enact that all customs duties throughout the area should be appropriated by the federal government. Income-tax could be treated similarly. But what of the economic life on which customs duties and income-taxes depend? As has been indicated earlier in this article, it is part of the case for federation, so far at any rate as a large number of its most important adherents in the colonies themselves are concerned, that it has become necessary as a result of the "neglect" of British Governments. It may therefore be expected that a federal government will lay claim to powers of planning the economic life of the whole federation and not merely remain content to act as co-ordinator of the separate plans of the individual member governments. In this connexion the fourth resolution of the conference already mentioned is significant: *Whereas progress toward federation will be accelerated by putting agriculture in the British Caribbean area on a more secure economic basis than now exists—resolved that this conference recommends that immediate steps be taken for the setting up of a central body of primary producers (representative of all British Caribbean colonies) with a view to accelerating the development of agriculture throughout the area on a sound economic basis. . . .*

The difficulties which face agriculture may be summed up as wasting land, pressure of an ever-increasing population, instability of markets and too great dependence on the too few crops. The remedies lie in carefully co-ordinated planning, drastic measures for the prevention of further soil-erosion and the reclaiming of areas already eroded to a degree which has rendered them useless for further farming, redistribution of the population

and action by those best able to take it—which means the British Government—in the international field to iron out the recurring fluctuations in demand for and prices of primary agricultural products, on which the stability of the level of employment of the whole area ultimately depends. To these it only remains to add: plenty of money. Increased productivity requires improved health and housing, improved health and housing depend on more revenue, and more revenue depends on increased productivity. Like so many other parts of the Colonial Empire, the British Caribbean colonies have to break into this vicious circle. Moreover, so great is the backlog, particularly in the matter of soil-erosion and housing, that they *must* break into the circle at several points simultaneously, instead of at only one. This fact makes it inevitable that financial aid from outside must continue for a long period and that the large sums already provided under the Colonial Development and Welfare Acts must be greatly increased.

Thus, in her dealings with the Caribbean—whether with a view to floating a successful federation or not—Great Britain finds herself in the same dilemma as she does in other parts of the Colonial Empire in which she is attempting to redeem her promises of advancement towards self-government. Briefly stated the dilemma is: Self-government is not self-government if someone else pays most of the bills, yet self-government cannot be indefinitely delayed while the economic foundations are relaid. In the Caribbean the position is particularly acute, since not only are all the colonies underdeveloped, but the majority of them could not carry on the day-to-day task of government adequately were it not for the grants-in-aid which they receive from the imperial Treasury. That is to say, not only are certain colonies which will be members of the federation receiving special help under the Colonial Development and Welfare Acts, but in addition they are receiving direct grants-in-aid of which they would still stand in need even if there were no plans for development and no Colonial Development and Welfare Acts. That this is an unsatisfactory basis for federation is recognized throughout the area, but so far no one has suggested a solution of the problem. The conference already referred to has asked that the *method* of Treasury control should be revised—but that request begs the question, although the form of it is interesting as showing that the leaders of local opinion assume that British financial aid will continue. The fact that they see nothing incongruous in this request and assumption and their own firm intention to set up a dominion within a few years is but part of the innate “Irishry” which is one of the constant delights of Caribbean political life.

For all this there is but one solution—for Great Britain to introduce into the financial arrangements which it will be necessary to make with the setting up of the federation some form of “Marshall Aid” organization for guiding the financial and economic rehabilitation of the area without “interfering”. We may be grateful to America for this conception, which could be at least as valuable to us in the colonial field in the next few decades as it and the attendant dollars will be in the immediate future in the field of our own economic recovery.

FINANCE OF THE WELFARE STATE

THE COST OF THE BRITISH SOCIAL SERVICES

IN a much-publicized speech in January last, Sir Stafford Cripps said that "as long as we are in this impoverished state, the result of our tremendous efforts in the two world wars, our consumption requirements have to be the last in the list of priorities. First are exports . . . ; second is capital investment; and last are the needs, comforts and amenities of the family." Part III of the *Economic Survey for 1949* is an elaborate variation of this theme:

"A large investment programme is vital if we are to have the industrial equipment we need to regain a stable, independent and prosperous position in the post-war world. . . . This investment must be financed, and this can only be done without inflation if the community sets aside adequate sums from its current income. If we do not do so, if we attempt to spend too much of our income on consumption goods and services, their prices will be forced up and inflation will follow."

Within the structure of this economic governing plan, where are we to place the various long-term programmes for the expansion of the social services? While austerity is the note sounded on official trumpets and consumption expenditure is "soft-pedalled", may this expansion not be a dissonant element in the planning harmony? How far is expenditure on social services complementary to or in competition with other forms of government outlay more directly designed to foster economic recovery?

This question is not easy to answer. An attempt will be made to do so through analysis of the growth of the services in Great Britain in scope and magnitude, through a study of their financial costs, and finally by a careful consideration of their economic and social effects.

The Nature of the British Social Services

"SOCIAL welfare", like many other sociological terms, has undergone an evolution of meaning. It is clear to-day that it embodies the notion that it is the duty of the State to ensure a minimum standard of living for all; but probably one might be tempted to go farther and extend the definition to include the notion that it is the duty of the State or some government agency to insure its subjects against certain important social risks for which the individual may find it difficult to provide, as for example unemployment due to trade fluctuations. Any definition, however, will eventually involve arbitrary choice of the various types of public services to be included within its various categories. For instance, if we accept the government classification as contained in the table of "Expenditure on the Social Services" presented to Parliament at the end of each calendar year, we find that it includes expenditure on housing and even war pensions, but does not include the present expenditure on food subsidies or the cost of operating employment exchanges and training schemes for unemployed workers.

For purposes of comparison, however, it will be convenient to accept the official classification which, if not exhaustive, is reasonably satisfactory.

The services included can be divided into three main groups:

a. Assistance Services. These comprise services for which no direct contribution is paid to the State by the beneficiaries and which are generally meant for the maintenance of persons in need. We should include as important examples under this heading public (now national) assistance, unemployment assistance for those unemployed persons who have exhausted their right of obtaining unemployment benefit, and non-contributory old-age pensions. An important exception to this general rule to-day is the Family Allowances Scheme. Family allowances, although assistance payments, are payable to parents irrespective of means for all children below a certain age, other than the first child.

b. General Community Services. These are services freely available to all subjects, the cost of which is mainly borne by public funds. In this category we should include the education services, housing and public health services and the new National Health Service. The percentage payment by public authorities for these services varies with the individual service in question. Thus to-day the education services are practically entirely financed by the public authorities; in the case of housing, however, the public authorities are able to recover part of the costs from rents.

c. Insurance Services. These services comprise the various separate insurance schemes unified by the National Insurance Act, 1946, and covering sickness and unemployment insurance, pensions and various separate grants such as maternity and death grants. The beneficiaries are the contributors to the scheme and their dependants; but as now practically all persons in work are compulsorily insured, the services are available to all provided they satisfy the conditions of benefit. Nevertheless, National Insurance is a social service in that it is partly financed by the Exchequer. For instance, it is estimated that in the financial year 1949-50 the Exchequer contribution to National Insurance will be £141 million.

The Finance of the Social Services

THESE categories are not only logical but roughly historical as well. The earliest public social service was public assistance under the famous Elizabethan Poor Law, which with few modifications lasted until the National Assistance Act of 1947. The General Community Services have evolved from the great period of social reform in the nineteenth century. The insurance services have developed from the earlier schemes for unemployment and health insurance instituted by the famous 1911 Act.

The accompanying table gives the approximate expenditure under each heading over a span of forty years.

Expenditure on the Public Social Services (excluding administrative costs)

£ million

	1910-11	1920-21	1930-31	1936-37	1946-47	1949-50 (estimate)
1. Assistance Services	20	137	149	198	223	(143)
2. Community Services	42	129	166	166	428	(640)
3. Insurance Services	—	41	154	130	182	(330)
Total	62	307	469	494	833	(1113)

The figures for expenditure given above do not represent the total amount borne out of general taxation. The receipts to cover this expenditure are drawn from three sources—(a) parliamentary votes; (b) local rates and block grants from the Government to local authorities; (c) contributions, fees, rents, &c., paid directly for some of the services. In 1936, for instance, about 55 per cent of the receipts came from public funds (a and b). However, it can be argued that insurance contributions classified under c are really a tax, now that compulsory insurance for all is the order of the day in Great Britain. As contributions form the major portion of item c, the public social services may be said to be financed almost entirely out of taxation and local rates. In any case, even if we accept the former view, the percentage borne out of public funds is likely to rise considerably in future years. The expenditure on education, financed wholly out of taxation and rates, has approximately doubled over the last ten years and in the 1949-50 estimate is about £250 million. The important recent addition to these services, family allowances, will be financed wholly out of public funds and is likely to cost about £60 million *per annum* in the early years of the scheme.

The upward trend in expenditure on the social services, checked only during the period of depression in 1929-33, has been influenced by many factors. Political and social views, reflected in legislation, have been the major influence. During the twentieth century important additions to the social services—housing, war pensions and, later, family allowances—have been sanctioned by all political parties. If any criticism is to be made of the policy of pre-war Governments with regard to social expenditure, it is that they did not sufficiently realize that the different outlays on social services are interdependent, and further that forces that Governments find difficult to control, such as population changes and industrial fluctuations, may radically affect estimates of such expenditure. These points are illustrated particularly well by government policy in the period 1929-33. When financial orthodoxy demanded a balanced budget, even in the face of acute depression, the community services were 'axed' and thus government outlay on goods and services was substantially reduced. Accordingly, this aggravated the unemployment problem and helped to increase government expenditure in other directions, particularly on public assistance and unemployment benefit.

What of future trends in expenditure? Even in the short period ahead it is impossible to give any precise estimate and the quoted figures for 1949-50 are tentative. The fall in the cost of Assistance Services is due to the transfer of pension payments to the National Insurance Scheme and does not represent a substantial economy. The rise in expenditure on the Community Services is primarily due to increased expenditure on the National Health Services and education. The Exchequer contribution to the National Insurance Scheme has already been mentioned, but just how far the scheme is, as Professor J. R. Hicks has put it, "more than a little bogus"* is clear from the Government Actuary's estimate of the contribution to be made by public funds to the scheme in the years ahead. Thus the Exchequer contribution

* J. R. Hicks, *The Problem of Budgetary Reform*, O.U.P., 1948, p. 26.

is estimated at £452 million in 1978 out of a total expenditure of £749 million in that year, or almost half the total spent on the public social services at present. This heavy subsidy is made necessary by the growing cost of pensions occasioned by the ageing of Britain's population.

The Real Cost of the Social Services

IN giving any estimate of the cost of the social services in Britain, it is not sufficient to refer to financial statements alone. These, although they can reveal much information, require careful interpretation. Comparison must be made with previous expenditure and with government outlay on other services. Account must be taken of changes in price levels and thus of the purchasing power of money. On the whole, therefore, reference to money expenditure alone does not allow us to give a precise estimate of the real cost of the social services. In making any such estimate the correct question to ask is whether the resources in man-power, skill and materials necessary for the administration and operation of these services is justified, bearing in mind the alternative ways in which those resources could be used either by the State or by its subjects. Thus the real costs of the social services to Great Britain are the alternative uses to which these resources could be put. It is, of course, not an easy matter to distinguish the criteria by which we can measure the value of these alternative uses; but it is clear at the moment that the future well-being, politically and economically, of Great Britain depends upon her present efforts to speed economic recovery after an exhausting war. Therefore, we must consider in more detail what are likely to be the economic effects of this expansion in the social services in the post-war period and try to find out if they are likely to raise industrial productivity, to be favourable or unfavourable to the present attempts to solve the balance of payments problem, and to prevent the incubus of inflation from sapping the strength of the British economy.

On the other hand, it would be unrealistic to regard the British economic problem as a purely short-term one. The great problem facing any country that attempts to raise its standard of living by conscious economic planning of a large sector of the economy is that of achieving a finely adjusted balance between its short- and long-term programmes. Over the longer period more fundamental economic forces, such as changes in the size and composition of the population, technical advance and available natural resources, make themselves felt. The long-term effects of the extension of the social services must also be considered before a final answer can be given.

In the short period, Britain's economic recovery depends upon raising industrial productivity, both in the sense of an increase in the physical output of goods and services and in terms of the value of these goods and services. The first type of productivity depends upon the efficient use of man-power and proper allocation of capital investment. The second depends upon skilled workmanship, low costs and efficient distribution. The solution of the balance-of-payments and inflation problems depends upon achievements in this direction.

Now with regard to the first aspect of productivity, there is no doubt

that the extension of the social services radically affects the 'redeployment' of labour. The first aspect of this problem is the effect of this extension on total man-power. The 53 per cent increase in the numbers employed in public services over the last ten years is largely accounted for by the extension of the social services. Moreover, there is a large indirect increase in man-power diverted away from industrial production by the social services. Employers have to employ clerical staff to deal with insurance cards and contributions. The building and repair of schools, the extension of hospitals and government buildings* all involve the diversion of man-power away from other employments. The second aspect of the man-power problem is the attraction of labour to key industries, particularly to the export trades. It is, of course, well known that the provision of sickness and unemployment benefits reduces the incentive to labour to move in order to obtain employment. The cost of moving, social and economic, may well outweigh the disparity between the rate of benefit and the local wage-level. On the other hand, one of the most important factors in inducing labour to move is the provision of suitable accommodation for the migrant worker. Thus the subsidized housing schemes have been given priority in those areas where workers are most needed, particularly in mining and agricultural areas. The third aspect of the man-power problem is that of incentives and perhaps requires a little more detailed treatment.

With the pursuance of a full-employment policy and the growth in the relative share of wages in the British national income (1938—39 per cent, 1948—48 per cent), the number of persons coming within the taxable range (of incomes) has approximately doubled over the last ten years. Moreover, over the same period, there has been a rise in taxation receipts, so that the proportion of personal incomes required to meet taxation has risen from 19 to 30 per cent. As the social services require an expenditure of about a third of this total every year, much of the burden of the present high taxation rates is due to their expansion. Now that so many workpeople pay income tax serious concern has been felt by economists at the disincentive effects of these high rates. In a state of full employment, in which the worker is not troubled unduly by the consequences of absenteeism, he is more free to weigh the competing advantages of work and leisure. The high rates of taxation on his "marginal" earnings are much more likely to induce him to go home to his fireside or to the cinema or taste the excitements of the dog-track than to encourage him to work two hours' overtime at the factory work bench. On the other hand, the problem of incentives is highly complex and, as these services primarily benefit the working population, it is an open question how far this new expansion has been the cause, consciously or unconsciously, of the acceptance by the workers of an economic policy which demands heavy sacrifices from them.

Capital investment gives us a very good example of the problem of the alternative uses of our resources. According to one authority,† our invest-

* For instance, by June 1948 the number engaged on construction work for the education and National Health services was approximately 45,000.

† Mr. F. W. Paish in an interesting article in the *Westminster Bank Review*, Nov. 1948.

ment losses as a result of the Second World War, including external disinvestment, equalled about one-fifth of the national capital on £9,000 million at 1948 prices. A large part of this loss consisted of houses, hospitals and schools damaged or destroyed by hostile action. Thus in considering the programme of capital expansion for the social services, particularly education and housing, it is necessary to remember that a large part of it represents replacement and repairs. Nevertheless, any capital investment undertaken at the moment requires careful scrutiny in the light of the immediate necessity of re-equipping industry, and it may well be, as was suggested by Mr. Harrod* in September 1947 after the convertibility crisis, that the rather ambitious housing programme competed directly for materials more urgently required for the provision of exports. It must also be remembered that constructional work involves great capital outlay and makes heavy demands upon that most expensive of imports—timber.

Now that British exports are likely to face intense competition abroad, it is necessary to insist that industrial productivity is just as much a matter of costs and prices and of quality as of physical volume of production. The combined effect of the extension of National Insurance and the complicated Pay-As-You-Earn system of tax collection may well be to raise costs of production by the additional cost burden of the employers' contribution to the National Insurance Scheme and the costs of administration respectively. If it is difficult to give any precise indication of the effect of these items on export prices, there is no doubt that they may be considerable items of expenditure.

The Social Services and Britain's Economic Future

TO sum up the preceding argument: the expansion of the social services after the war has probably made a disinflation policy difficult to carry out, for it has necessitated capital investment on a scale which is not warranted by the current rate of saving by the community. Further, it has put a double pressure on the balance of payments by diverting men and materials away from export production and by making it necessary to increase imports of timber, which have to be financed out of hard currencies. This latter effect has restricted our capacity to finance the import of other vital raw materials. On the other hand, there is no denying the fact that the lack of suitable houses has restricted labour movement and has had strong disincentive effects through the separation of families. Thus there is much to be said for subsidizing housing by State aid in industrial areas. Furthermore, the services may have had a strong incentive value in that they were generally a popular part of the present Government's political programme and have served to ameliorate to some extent the present hardships borne by the British people.

In the long run, however, the present expansion of the social services, even if it involves present hardships in the form of high taxation and lowered food consumption standards, may well be justified economically.

* R. F. Harrod, *Are These Hardships Necessary?* pp. 91-8.

The reasons for this are self-evident. The point has been put well by a writer who has not been unduly sympathetic to the "social welfare" approach to the solution of our material problems. He admits* that

"there are, moreover, some benefits of considerable importance for productive efficiency from wise social expenditure. It is not mere speculation but actual experience which justifies the view that the benefits of health, confidence, education and general well-being which ought to follow, and often have followed, from a well-ordered system of social service benefits may make such systems genuinely paying propositions to the economy as a whole, even on the narrowest basis of profit and loss. But some of the benefits may take a considerable time in showing themselves in any easily recognizable form. . . ."

This last point is of some importance. However far the views of economists and politicians may diverge on the question whether Britain is over-populated in the absolute sense, they are agreed that, in the long run, our survival as a nation depends upon the improvement in the quality and composition of our population. Towards this end, there is no doubt that better health conditions, more extensive education facilities and the various inducements to parents to increase the size of their families will contribute; but their exact effects will be difficult to determine.

There is one further point. In the long run it may be possible to adjust social-services expenditure in such a way as to accord with an economic policy designed to maintain a high and stable level of employment. Thus, so long as full employment is threatened by under-consumption and the lack of investment opportunities thus arising, government expenditure on the social services will contribute towards the maintenance of a high level of employment in two ways: by redistributing income in such a way that consumption levels will be maintained and by creating demand for both current goods and services and capital goods. This type of expenditure is much more likely to receive political sanction than hastily improvised public works schemes. A very interesting example of a scheme designed to contribute towards the maintenance of employment is incorporated within the financial administration of National Insurance. Thus under section 3 of the National Insurance Act, 1946, the Treasury by laying an Order before Parliament can raise or lower contribution rates "with a view to maintaining a stable level of employment". In times of a rising percentage of unemployment the lowering of contribution rates will not only leave more purchasing power in the hands of workers in the same manner as a tax reduction, but it will also lower the costs of the *entrepreneur*.

Conclusion

TO carry out a comprehensive programme of economic reconstruction and at the same time to expand the social services involves considerable self-denial on the part of the British people with regard to other material needs. The burden will be felt by all in the form of continuing high levels

* A. B. G. Fisher, *Economic Progress and Social Security*, p. 330.

of both direct and indirect taxation. The Chancellor of the Exchequer in his Budget Speech on April 6 made this quite clear in a characteristic homily. "When I hear people speaking of reducing taxation and, at the same time, see the costs of social services rising rapidly in response, very often, to the demands of the same people, I sometimes rather wonder whether they appreciate the old adage—we cannot have our cake and eat it." In the long run this expansion may be more than justified, particularly in view of its probable effects on the quality and composition of Britain's population, which is the overriding economic and political consideration in the years to come.

In the meantime, however, it remains to be seen how far it will be possible to combine this expansion with low administrative costs and a taxation system which does not completely stifle economic incentive. Certain schemes for income-tax reform have been put forward; and that of Mr. Chambers,* aimed at a simplification of P.A.Y.E. and a reduction of tax collection costs, has considerable attractions. Furthermore, the attention of economists and politicians has been directed towards a reconsideration of the scheme of Lady Rhys-Williams† to "rationalize" income redistribution, first put forward in 1943 as an alternative to the Beveridge Plan. A discussion of these schemes is outside the scope of this article, but the proposals contained in them clearly indicate that specialists are well aware of the problems we shall have to face. If the British people are able to find a solution to the problem of combining economic progress with an equitable distribution of income brought about by public social services, then they will have once again fulfilled their rôle as the precursors of economic and political ideas and their corresponding institutions.

* See Mr. Chambers's article on "Taxation and Incentives", *Lloyds Bank Review*, April 1948.

† For the original proposals see Lady Rhys-Williams, *Something to Look Forward To*, 1943. For a modern version of them see *The Great Partnership* (Liberal Party pamphlet). For a criticism of the proposals see J. E. Meade, *Planning and the Price Mechanism*, 1948; H. S. Booker, *Economic Journal*, April 1946.

AMERICA AND THE COMMUNIST WORLD

THE SEQUEL TO THE AIR-LIFT

RELIEVED as Americans were by the ending of the Berlin blockade, they are filled with an uneasy expectation that the crisis which was solved by the air-lift may be replaced by even graver challenges. On the one hand, they ask, will the ending of the blockade and the meeting of the Council of Foreign Ministers give the Soviet Union a negotiating opportunity to place the western allies at a serious disadvantage in Germany? On the other hand, is Russia seeking a stand-still agreement in Europe in order to devote all its attention to the Far East? Either or both of these possibilities have sobered American thinking as we welcome the end of the blockade.

It had been known in Washington for many months that the Soviet Union was eager to end the Berlin blockade. But the terms were always considered much too dangerous. Apart from the currency question, the terms centred on a meeting of the Council of Foreign Ministers. At that meeting, it was assumed, the Russians would propose the withdrawal of occupation troops from Germany, and the creation of a unified German State, necessarily scrapping the West German State which the allies were calling into being. Until the present, these terms were regarded as too perilous for allied diplomacy to accept. Withdrawal of occupation troops would expose Germany to Communist domination, as would the abortion of the West German State. But evacuation, like unification, was held to be immensely attractive to Germans. And so from every point of view, continuation of the blockade—and the consequent air-lift—was held to be much preferable to a meeting of the Council of Foreign Ministers with these embarrassing and dangerous agenda.

But last February Philip C. Jessup, the sandy-haired, angular professor of international law, who is U.S. Delegate to the Security Council, walked across the delegates' lounge at Lake Success on specific orders of the State Department and opened discussions with Jacob A. Malik, the Russian delegate. Presumably, the American Government felt that the potential gain was greater than the risk. There was the evident desire not to neglect any genuine opportunity to reach an agreement. There was curiosity to find out what the Russians were really intending. At any rate, the State Department took the risk. Weeks of discussion followed, and now the blockade is lifted and the Foreign Ministers are about to meet.

In Washington this is taken to mean that the real German crisis is about to begin. The United States has no intention of agreeing to any kind of settlement that would give the Russians the chance to sweep the whole of Germany into their orbit. There will be no hesitation to reject any kind of dangerous proposals. It is felt that by now the Germans understand the dangers, and will support Allied rejection of Soviet offers which might have specious

attractiveness but could lead to only one result: Russian domination of the whole of Germany. It is appreciated that the attainment of a genuinely independent Germany, whether federalized, unified or divided, will be an immensely difficult task. Geography is against it. Russia and its satellites overshadow and penetrate Germany. But the dual objectives of Western policy remain unswerving: to prevent a resurgent aggressive Germany; to prevent a dominated Communist Germany. On the whole, Washington is convinced that the West German State, integrated into the defense fabric of the North Atlantic Pact, is still the best guarantee of ultimate German independence. Unless the Russians are prepared to accept these terms, there seems little chance that the Council of Foreign Ministers will reach agreement.

If the Kremlin is anxious above all to close its western gateway so as to concentrate on the Far East, it is thought there might be a chance of agreement. But the odds are strongly against this theory. Rather, the immediate Russian objective of killing the West German State and ending the impressive air-lift is much more plausible. And U.S. policy is rigidly against concessions on these points. If the technical arrangements for ending the blockade run into any kind of snags, Washington is instantly ready to reactivate the air-lift in all its effectiveness. In any event, it will be tapered off gradually.

On the essential elements, there is a feeling here that Washington and London are in thorough agreement. While Dr. Jessup took the chief rôle at Lake Success, Mr. Bevin took the major place in Berlin, in his visit in early May, emphasizing the Western appeal to the Germans. Even arrangements with the French, so often difficult, are rather better than usual, although General de Gaulle continues to take positions which from Washington seem to do nothing but help the Communists.

The Allied program for Germany is strong and constructive, and that is probably the chief reason why it was possible to chance open competition with the Russian proposals at this time. Far from dropping or modifying the Western State, the time-table calls not only for completion of the constitution before the Foreign Ministers meet, but ratification by the *Länder* while the Paris meeting is in process, and establishment of the Western German Government by mid-July.

While maintaining these plans, the Western Powers are expected to invite the Eastern Germans to join the Western State as parts of a federal union for all of Germany, on condition that free elections are held under four-power supervision. They are expected to offer some reduction in occupation forces. They plan to minimize the rôle of military forces by transferring occupation administration from military to civilian hands. Resignation of General Lucius D. Clay was a symbol of the change.

This is substantially as far as the Western Powers can go. It is admitted that the Russian proposals for complete evacuation and centralized government in Berlin will have a sharp impact on the German politicians. But we are prepared to take the chance. At the worst, the Paris talks could collapse, the blockade could be reimposed, the air-lift would begin again. And if we had much German disgruntlement to face—well, there is an increasing feeling that in the interest of German re-education, firmness is better than

concessions. While there is little expectation of a satisfactory general settlement, the basic Washington feeling is that some gains may well be made.

The Breakdown in China

IT is in the Far East that American policy faces its greatest failure. If Russia is seeking an armistice in Europe in order to concentrate on Asia, there is an expectation of long-term danger. On the other hand, the State Department reminds itself that nobody in modern times has controlled all China. And it hopes that Russia, like the U.S., may have bitten off more in China than it can chew.

Right now, an investment of thousands of millions of dollars in money and years of effort is being liquidated by the U.S. in China. We see the Communists moving in, and Russia falling heir to the position and prestige once held by the West. We see the loss of airfields closer to Russian industries east of the Urals than any other bases available to the United States. Instead, airfields in China within bombing range of the Philippines, Japan, South-east Asia and India may soon be available to Russia.

Since VJ Day, the U.S. tax-payers have put \$3,319,400,000 into China to stop Communism. It is doubtful if the Russians have put much of anything in. They have taken from Manchuria, giving little in return. But the very fact that the Chinese Communists have come so far with so little help means that they owe no particular debt to Moscow. They are now free, if they desire, to leave doors open not only to cooperation with non-Communists in China, but with the West. Many believe that Communist China will urgently need much trade with the West. And there is the wishful expectation that Mao Tse-tung and Chou En-lai will follow the path of Titoism.

About all Washington can do now is to wait and see. We are not likely to give any more aid to the Nationalists. On the other hand, we will probably not hurry to recognize the Communist régime as the paramount authority in China, although that step now seems inevitable. We will maintain our diplomatic outposts inside Communist-held territory just as long as possible. We will probably do everything we can to encourage independent tendencies in China, as well as in other countries within the Communist orbit. Thus, while it is apparently too late to save China from Communism, it may not be too late to prevent the incorporation of the huge mass of China into the Russian system.

There is the danger, of course, that the Chinese Communists—with a government including numerous non-Communists at least at the beginning—will seek to milk the United States. Their bargaining position will certainly be strong. And so history is likely to repeat itself, with the American tax-payer paying heavily for his hopes in China, and receiving a very dubious return.

Meantime, dangers abound in Korea, in Burma, in Indo-China and Indonesia and even in Japan. Stabilization in Palestine is encouraging, but the aftermath of bitterness against U.S. policy pervades the Arab world. In such an atmosphere, world Communism has its greatest opportunities. In Indonesia, the United States has suffered the traditional fate of the big

Power: it has incurred the bitter hostility of both sides, and the gratitude of none. Thus America begins to learn the hard way some of the lessons which Britain has absorbed down through the years. The impact on American thinking is considerable. But it is not now visibly producing a new kind of isolationism, which might be expected. That is because the impact has not yet got through to the people, or even to the Congress. If and as a general popular awareness grows up that Uncle Sam is getting buffets instead of gratitude almost everywhere, and if this feeling combines with economic stringency in the United States, it might well force a considerable withdrawal.

Economic Stability

AND so the question arises: how is the American economy standing up? The answer is: pretty well. Caution is the keynote. There has been a less-than-normal spring upturn. But business turnover in the first four months of 1949 was excellent, although naturally not so high as 1948. Business remains good by any standard of the past. There is no evidence and no expectation of a crash or a drastic decline. But since business men know that business no longer is rising, they manifest a cautious attitude. That leads to some curtailment of expenses, and some delay in plans for expansion. Bank loans are being paid off or reduced, and there is hesitancy about long-term commitments.

The most notable tendency is the delay in plant expansion. Building costs have dropped somewhat, but they remain nearly twice as high in relation to unit of sales as they were when expansion plans were first projected. This does not mean that all construction is at a standstill. In the South and Southwest, much expansion is still under way, particularly among smaller plants.

The backlog of orders, which has so long hung over manufacturers, is shrinking rapidly. There is healthy scrambling for new business. Retail prices are being cut, and normal competitive conditions are back. The demand for higher-priced housing is sharply off, and so economy homes are being built in greater numbers. All these tendencies are making the American economy more stable. There is no vestige of panic. And, of course, it would be absurd if there were, because E.R.P. and rearmament expenditures are bound to keep a very solid floor under heavy industry for the immediately visible future. For the next year, at least, they offer a secure guarantee that the American economy will not go into a tail-spin.

On the other hand, the drop in food prices, particularly, has slowed down the spiral demand for wage increases and given us the greatest hope for stability we have had since late 1945. You can buy five meals to-day for what four cost a year ago. Food that last summer cost \$10 sells for under \$8 now. Furnishings and clothing are also cheaper. The price decreases mean better living for more people. They also mean that families have more money for appliances, gadgets, etc., with which to improve their houses, and that means wider support for industry.

What these changes can mean is an end to the alternating rises in living costs and wages. Already, budget savings that have occurred are easing

the pressure for pay raises. This means a let-up of pressure for price increases.

Despite these basic facts, a labor crisis is under way. It is both political and economic. On both grounds, the paradoxical outlook is that organized labor—who, with their dependants, number one in every three Americans—will have to moderate their demands greatly and concede to the cautious and conservative trends that have set in.

Here is the legislative outlook: labor's relations with management have been regulated for two years by the controversial Taft-Hartley Law, which President Truman and the Democratic Party promised to repeal. With this promise as one of his chief campaign planks, the President was triumphantly re-elected. But the task of carrying out the pledge has run into very heavy going. There are enough Democratic members of Congress from the relatively conservative South to produce a conservative majority, joined with the Republicans. An Administration Bill repealing the Taft-Hartley Law faced no real chance of approval; many concessions were made in watering it down; but even so, a Bill virtually re-enacting the Taft-Hartley Law was passed by the House of Representatives in early May. It was passed by a very narrow majority. Overnight, through a parliamentary manoeuvre, the Bill was re-committed, and the Administration pledged preparation of a new Bill which will embody more concessions to the conservatives than its earlier Bill, but less than the Bill which was passed and then re-committed.

Labor's Disappointments and Ambitions

THE upshot of all the parliamentary intricacies is that a conservative majority exists in both houses of Congress, and that organized labor cannot hope to get what it thought it won in last November's elections. This paradox results as much as anything from the fact that local issues dominate almost all Congressional elections, and as the country is divided in Congressional districts, it does not produce a labor majority. Perhaps it will some day, but that day is not in sight. Meantime, labor can continue to be a decisive factor in the Presidential election. Under those circumstances, a President considerably farther to the left than the Congress is a constant possibility.

That being the present fact, President Truman's Fair Deal program is unlikely to be implemented. In the fields of agriculture, social security and public health, he has presented sweeping and expensive programs. They are most unlikely to be put into law. His civil rights program has already run into severe opposition. To get any significant part of his domestic program, the President will certainly have to make many concessions, and in particular he will have to defer to economy sentiments. In a period of mounting deficits and business recession—however moderate—there is no likelihood that a spending program will be added on top of the already high costs of wars, past, present or future.

Despite President Truman's outstanding personal success last November, it is increasingly apparent that the Congressional outcome was narrowly divided. There was no legislative mandate for a welfare state. The Southern

Democrats, re-elected universally, had definitely repudiated these parts of the President's commitments. All of this means a cautious America legislatively and domestically. It does not react adversely on foreign policy. There the President has the support of large majorities.

Faced by these legislative obstacles, organized labor turns to face employers. The national wage pattern is set by four great industries in which labor is solidly unionized. The pattern directly affects 3,000,000 workers in four big unions: United Mine Workers, United Automobile Workers, United Steel Workers, United Electrical Workers. It indirectly affects many millions more. Contracts in these great controlling areas will all be reopened in May and June.

Well aware that price and business recessions are not conducive to successful collective bargaining for wage increases, labor leadership has changed its tune. Instead of demanding more money, the unions are emphasizing long-range security: welfare and pension plans. But employers point out that such plans are the precise equivalent of wage increases, and can only be met by higher prices. In the end, the vicious wage-price spiral begins all over again.

What will labor do? Faced by management's unwillingness to add to costs of production, and the fact that profits in 1949 will undoubtedly be much below 1948, will labor strike? Will insecurity make labor cautious or aggressive? It is too soon to give a firm answer. But in early May 60,000 workers in the Ford plant at Dearborn, Mich., walked out in a wildcat strike which will ultimately make hundreds of thousands idle. Labor's mood was aggressive. If that is a sign, then one of the gravest crises in post-war industrial experience may be just ahead. Despite the Ford situation, there is much other evidence to indicate that labor is responsibly led, that management is not intransigent, and that the basis for fair compromise still exists. That is the major hope on which economic stability now depends.

United States of America,
May 1949

UNITED KINGDOM

A BUDGET OF CONTINUED AUSTERITY

THE principal domestic event of recent weeks has been the Budget, in which most people discern a political landmark of some consequence. In the financial year which ended on March 31 the United Kingdom achieved a conventional budget surplus of £831 million and a real surplus—after meeting both the current and capital expenditure of the year—of £352 million. Revenue had soared to more than £4,000 million. The National Debt, now standing at £25,168 million, had been reduced by £453 million in twelve months—an unprecedented achievement. After much thriftiness in consumption and much striving to increase output the country's exports of goods and services had been raised to match its imports in value. There was thus brought about, for the first time in many years, an "overall" balance of payments, although a big dollar deficit with the Western Hemisphere still remains a cause of great anxiety. In the light of all this the country had looked for some relaxation of austerity and tax burdens. The Chancellor of the Exchequer had been under pressure from government supporters and trade-union leaders to make budgetary concessions to cheapen the cost of living, particularly by reducing indirect taxation. Many Opposition members also expected the Chancellor of the Exchequer to meet at least some of these demands; and when it was announced that the budget was to be introduced on a Wednesday—instead of on a Tuesday, as is customary—they twittered with apprehension lest this was a piece of Labour gerrymandering to arrange budgetary concessions to influence the London County Council elections, to be held the following day.

On Wednesday, April 6, Sir Stafford Cripps duly submitted his second budget. He produced the typescript from the faded red dispatch box once used by Mr. Gladstone. It was a budget speech almost in the Gladstonian tradition. It surprised the Opposition and left most of the Government's own supporters plunged in gloom. The general effect of it was that although 1948 had been a year of splendid achievement the nation must work still harder in 1949 and must continue to bear roughly the same burden of taxation, with higher retail prices for some basic foodstuffs, to consolidate the economic gains won. Figures were produced to show that if taxation remained unchanged in 1949-50 there would be a real deficit of £70 million, as compared with the real surplus of £352 million in the financial year just ended. This was because of the increased cost of defence and the social services and shrinkages in some fortuitous sources of income. By imposing some tax increases the Chancellor of the Exchequer was able to scrape together a little money for a few small tax reliefs.

The Food Subsidies

THE result of it all was a net reduction of taxation by £19 million in 1949-50. The only real concession to taxpayers as individuals was a reduction of the duties on beer and light wines, at an annual cost to the revenue of some

£20 million. This was neatly balanced by raising the scales of death duty to produce a similar annual sum in a full year. But while beer and wines will be cheaper food will be dearer. In 1948-49 the Exchequer paid subsidies amounting to £485 millions to keep down food prices. The policy of subsidizing food prices to help in stabilizing the cost of living was begun during the war, and the modest cost in the first year was £63 million. By 1945-46 the cost had grown to £265 million. Since then the steady inflation of the food subsidies has been a nightmare to the Treasury. As food prices have risen the subsidies have rapidly mounted and the Labour Government has hitherto been too timid to call a halt. In successive budget speeches there have been undertakings to limit the subsidies, but these have not been adhered to. But in this budget speech Sir Stafford Cripps told the country in very blunt terms that this progressive increase in the subsidies must now be stopped. He estimated that if present prices were maintained and there was a moderate increase in food supplies this year, as he hoped, the cost of food subsidies in 1949-50 would be £568 million. He explained that unless this were halted the country would find itself in the ridiculous position of having to restrict much-needed food imports because we could not afford to pay the subsidies.

In these circumstances he limited food subsidies to £465 million this year. The difference between this figure and the prospective total of £568 million will be met by reducing the duties on tea and sugar, without passing on the relief to the consumer, and by requiring consumers to pay from a penny to fourpence per lb. more for butter, margarine, cheese and meat. These price increases, to absorb some £50 million of the prospective increase in the cost if subsidies had continued unchecked, will make living dearer by about fourpence per head of the population per week. The expenditure of each consumer on food will still be subsidized to the extent of 3s. 6d. per week. With the adjustment of the tea and sugar duties the real cost of food subsidies to the Exchequer will be £13 million more than in 1948-49. Apart from minor changes the other features of the budget were the doubling of the "wear and tear" initial tax allowance on new machinery or plant—a valuable concession to industrialists—the freeing of certain social-service benefits from income tax and the taxation of the corresponding insurance contributions instead; and increases in postal and telephone charges and in the duty on pool betting.

The Red Light

THE most significant thing of all in the budget speech was Sir Stafford's warning to the Labour party that the redistribution of national income by means of taxation has gone almost to the limit and that the speed of advance in the extended application of existing social services must be moderated to the country's progressive ability to pay for them by an increase in national income. The red light was flashed again and again. The Chancellor of the Exchequer reminded those who wanted both reduced taxation and even more expensive social services that they could not have their cake and eat it. He said that there was no room for any substantial reductions in taxation and that the community must be content instead with the improved social

services and defence measures. They could not have both. He also said that he had circularized Government Departments asking them to review the expenditure likely to flow from the development of existing policies, so that it could be kept within the bounds of what is considered feasible. The same circular contains the stern injunction that supplementary estimates by Departments will be permitted in future only in exceptional circumstances and with Cabinet sanction.

Some Labour members at first reacted violently against all this and described it as "a Tory Budget", adding the qualification that in their view no Tory Chancellor of the Exchequer would have dared to introduce it. There was bitter criticism of the juxtaposition of cheaper beer and dearer food. One trade-union leader in the House shook the Government by a speech in which he said that this budget would make it impossible for trade-union leaders any longer to hold back a flood of new wage demands. He described the budget as one which would make living conditions of the lower-paid wage-earners intolerable, and he warned the Chancellor that if standards were depressed too far the trade unions would fight this Government as they had fought Tory Governments and employers in the past. There were some other strong criticisms from the Labour side, but none quite so menacing as this, which came from one normally regarded as among the most moderate and cautious of trade-union leaders. Many Labour members agreed with him that the budget might in the end prove inflationary through weakening the position of the moderate trade-union leaders and making it impossible for them to hold the wages front. There were Labour criticisms, too, of the prospective expenditure of £760 million on defence. Some speakers thought that protests about the absence of tax concessions to cheapen living costs should be addressed to the Foreign Secretary rather than to the Chancellor of the Exchequer. Most of the sting was taken out of Labour criticism of the budget after Sir Stafford Cripps and Mr. Herbert Morrison, Leader of the House, had discussed matters in private with their supporters at a party meeting. After reflection most Labour members were disposed to agree that a stern budget was inevitable, although they felt that the Chancellor had perhaps ridden his high horse of austerity rather too virtuously. They consoled themselves with the thought that this might be no more than the price of an attractive pre-election budget a year hence.

A Resolute Government

WHATEVER their supporters thought it gradually emerged quite plainly that the Government have determined to take a strong line in checking the growth of expenditure and in maintaining a sound budgetary position. The older Ministers have grim recollections of what happened in 1931 when the financial crisis which was allowed to develop smashed the second Labour Government. They have no intention of allowing that to happen again. Opposition comments on the budget were, on the whole, favourable. Most Opposition members were prepared to applaud the refusal to budget for a deficit and they all very strongly commended Sir Stafford's firm action in putting a stop to the growing cost of food subsidies. His

warning to Government supporters that the "soak the rich" policy was incapable of further exploitation and that social-service benefits must be largely paid for by the wage-earners themselves, in taxes and greater productivity, also won approval from the Conservatives. They could not forbear to point out that they had been preaching these doctrines themselves for quite a long time. The leading Opposition spokesmen also argued that there were directions in which government expenditure could be curtailed without affecting defence or the social services; that the continued high level of direct taxation is a severe discouragement to industry and enterprise; and that the absence of any reserve of taxable capacity to be drawn upon in an emergency is a serious budgetary weakness. In the course of the four-day debate on the Budget and the Economic Survey for 1949 the President of the Board of Trade outlined steps to be taken by the Government to assist manufacturers in a big export drive to the United States and Canada. The objective is to export £180 million of goods to North America in 1950. This is a 30 per cent increase on exports there in 1948, in which year £70 million worth of British goods went to Canada and £66 million worth to the United States. The President agreed that this was the most difficult market in the world, but he envisaged the task set as one of the greatest challenges in our history to the merchant venturing spirit of British traders. He explained that among other kinds of government assistance to be given there would be open favouritism and outright discrimination—in such matters as raw-material allocations and other production facilities—to benefit firms engaging in the North American export and dollar drive.

The Municipal Elections

IMMEDIATELY after the presentation of the budget polling took place in the English and Welsh county council elections, in which the Labour party suffered a severe reverse. Whether or not this was because of the budget it was the budget that was mainly blamed by Labour supporters for their setback. They also admitted, however, that under Lord Woolton's leadership the Conservative party organization had worked with a marked increase of efficiency and that their own had been faulty. In the course of these elections the Conservatives achieved a net gain of 341 seats, whereas the Labour party had a net loss of 293.* Conservatives hailed these results as an indication that the tide had turned against the Labour Government and as a foretaste of what may happen at next year's general election. Experience has shown that local election results are not necessarily a trustworthy guide to the views of the parliamentary electorate. The fact remains, too, that in nearly four years of power the Labour Government has not lost in parliamentary by-elections a single seat which it won in 1945.

The aspect of the county council election results which attracted most attention was the curious position that arose in London. In the elections for the London County Council, Conservatives polled 1,523,529 votes and Labour candidates 1,405,543. On these figures it might have been thought

* The trend continued in the borough elections in mid-May, when the net Conservative gain was 805 seats and the net Labour loss 715. (Figures from *The Times*, May 16.)

that control of the L.C.C. had been at last wrested from the Labour party by their political opponents. This was not so. Labour and Conservative councillors were returned in equal numbers—64 each—with one Liberal holding the balance between them. But this was not the whole story. The Labour party also had ten aldermen on the county council, surviving from 1946 and holding office till 1952. To maintain control of the council they nominated a defeated Labour candidate as the new chairman and secured his election through the votes of their ten aldermen. There were also eleven vacant aldermen's seats to be filled, in which election the Labour aldermen could take no part. At first the Labour party proposed—by use of the new chairman's vote, and of his casting vote as well, if necessary—to take all these eleven seats for themselves. After some public protests against such a procedure in the light of the election figures the Labour party contented themselves with six of the aldermen's seats and left the other five to the Conservatives. The net result of all this is that although the Conservatives polled about 118,000 more votes than Labour candidates at the election, the new London County Council consists of 81 Labour members, 69 Conservatives, and 1 Liberal. The Conservative leader on the county council has suggested that Parliament should amend the London Government Act to "safeguard the electorate against sharp practice".

Trade Union and Labour Party Policy

THERE were prolonged mutterings about the budget from the General Council of the Trades Union Congress, and after an interview with a deputation from that body the Chancellor of the Exchequer wrote to the Council a long letter in defence of the budget policy. One point which he was reported to have emphasized strongly was that it was necessary to demonstrate to other countries that though conditions of world trade may become increasingly difficult sterling will remain a sound and stable currency. The General Council agreed in the end to continue its policy of wage stabilization. But it remained disgruntled and appointed a committee to make more inquiries about the cost of living and to seek a further interview with the Chancellor of the Exchequer.

While the budget was still under discussion in the Commons the Labour party published on April 12 a draft statement of policy for the general election of 1950. This statement, issued on the authority of the party's national executive committee, will now be discussed by constituency parties and will be submitted for amendment and final approval at the Labour party's annual conference at Whitsuntide. Mr. Herbert Morrison, the principal party manager and tactician, has been arguing for some time that the Labour party should not be too adventurous in its programme for the next Parliament, but should apply itself to perfecting the administration of industries already nationalized and generally to a consolidation of its legislative achievements since 1945. Other party leaders have pressed for a more aggressive policy, embodying further big doses of nationalization. The draft policy statement has given the impression of being a compromise between these two points of view. It proposes that if a Labour Government wins the next election it shall

bring under public ownership industrial assurance, sugar manufacture and refining, the cement industry, the wholesale meat trade, cold-storage plant not already owned by the Ministry of Food and the nation's water-supply, in addition to undertaking various measures to improve the wholesale distribution of fruit and vegetables. A vague threat is suspended over the shipbuilding and chemical industries. For shipbuilding it is proposed that there should be a development council to aid reorganization, and the policy statement hints that if private enterprise fails when the present rush of work eases off Labour will not hesitate to take any steps necessary to ensure that shipbuilding is never again neglected. The chemical industry is to be "carefully examined" and if the party thinks such a step necessary to assure vital national interests it will bring appropriate sections of this key industry under public ownership.

Another important proposal is that the State should engage in what is called "competitive public enterprise". The Labour party has now reached the conclusion that in the absence of economic necessity for a monopoly it is not always necessary to socialize whole industries and that public enterprises may be started, or acquired, to compete with private enterprise in the same field. Such enterprises, says the statement, will compete fairly with private traders, and if they prove to be commercial failures they will not be propped up at the expense of the taxpayer.

Industrial Assurance

THE proposed nationalization of industrial assurance is aimed at a business of immense financial dimensions. If carried into effect it would involve fourteen industrial assurance companies—including the Prudential and the Pearl—and about 140 friendly societies which carry on this business. The public ownership of industrial assurance was first proposed in the war-time Beveridge Report on the social services; but the author of that report did not regard this as being completely essential to an extended social-security scheme and the proposal was dropped by the Coalition Government. It is now being revived by the Labour party as being necessary to round off the reorganized social services. In 1939, according to the Beveridge Report, there were 103 million industrial assurance policies in force; the sums assured amounted to £1,668 million; and the assurance funds to £455 million. The premium income of the industrial assurance companies and societies was £74 million and they had an income of £20 million from investments. The premium income is "built up of pennies, sixpences and shillings, collected for the most part week by week from a large proportion of all the households of Britain". The industrial assurance companies have extensive interests in other kinds of insurance business, both at home and abroad. None the less, it is proposed by the Labour party that they should be taken over in their entirety. If this happened it would mean that the State would be not only acquiring all industrial assurance business but would also be entering into competition with the private insurance companies for other insurance business.

Another proposal in the Labour policy statement is that the Government should support the establishment of cheap family holiday centres in the

vacant country houses of Britain, whose owners are often obliged either to sell them to effect economies or to trade them to the State in lieu of death duties.

An outstanding feature of the Labour party's draft programme is that it reproduces and emphasizes the warning contained in the budget speech that the recent expansion of the social services can be made secure only by increased national production. The statement reminds Labour supporters of the fact that the wealthy minority of the population are very much less well off than they were and that to-day there are only 250 people in the whole country, as compared with 11,000 before the war, who have incomes of over £5,000 a year after payment of income tax and sur-tax. The further point is made that social-service benefits and food subsidies represent an expenditure of about 11s. per head of the population per week. For a family of five this represents an addition to normal earnings of a "social wage" of at least £2. 15s. a week. It is increasingly evident that the Government and the leaders of the Labour party, having readjusted many of their own notions, are now setting out upon a political re-education of their followers in the economic facts of life. To judge by some of the resolutions to be moved by constituency delegates at the Labour party's annual conference the process is overdue and may take a long time to achieve its purpose.

In external affairs the most important events of the period under review have been the signing of the North Atlantic Pact, the Commonwealth Prime Ministers' conference in London, and the legislation which recognizes the Irish Republic's secession from the Commonwealth and gives effect to the decision that the republic shall not be regarded by the United Kingdom as a foreign country, or its citizens as aliens. Except for the two Communist members and a few querulous fellow-travellers on the Labour back benches the whole House of Commons welcomed the Atlantic Pact, as was demonstrated on May 12, when a Government motion to approve its signature was carried by 333 votes to six. Mr. Bevin described the Pact as a great step towards peace, and both he and the Government were congratulated by Mr. Churchill on their achievement. The agreement reached at the Commonwealth Prime Ministers' conference for enabling India to continue her full membership of the Commonwealth of Nations after she has become a republic was formally reported to both Houses of Parliament by Ministers on April 28 and was widely approved.

The Ireland Bill, passed by the House of Commons on May 17, stirred controversy only because of the sub-clause which reaffirms the constitutional position of Northern Ireland as a continuing part of the United Kingdom and the Commonwealth. On the eve of the second reading of the Bill the Dail registered its motion of protest against the sub-clause and this action and Mr. Costello's suggestion that the Northern Ireland guarantee represented a deliberate tightening of the ligature of partition round the body of Ireland by the United Kingdom Government caused irritation and indignation at Westminster. The Prime Minister replied—with exemplary restraint—that in spite of his warnings that a republic in Eire would make any solution of partition more difficult the Dublin Government had decided that the severance of the last link with the Commonwealth was a more important

objective of policy than the ending of partition. That being so the republic must face the consequences of its action. Many supporters of the Government sided with Irish Nationalists in opposing the statutory guarantee to Northern Ireland and they sought to weaken it by amendments proposed on the committee stage. With the strong backing of the Opposition the Government firmly resisted all attempts to emasculate the guarantee and they cited some menacing aspects of Dublin propaganda against Northern Ireland as providing an important additional justification for it. After the committee tussle the House gave the Bill a third reading in an atmosphere of renewed calm and friendliness. Repeatedly the hope was expressed that the republic may make a new and more hopeful attempt to achieve Irish unity by returning to the Commonwealth.

Great Britain, May 1949.

NORTHERN IRELAND

THE final state of the parties in the Northern Ireland General Election* was Unionists 37, Nationalists 9, Independent Unionists 2, Independents 2, Independent Labour 1, Socialist Republican (now Irish Labour) 1. The Unionist party, as well as increasing its majority by two seats, gained one of the largest votes on record and a clear endorsement of continued integration with the United Kingdom. The Northern Ireland Labour party, whose attitude to Partition was ambiguous, was eliminated and the line of political cleavage that has persisted in Ulster for over half a century was again plainly revealed. In some instances, however, there was evidence that Nationalists had voted to maintain the economic advantages of the British connexion. In the outcome it was demonstrated, despite attacks upon the validity of the result, that there has been no change in the traditional sentiment and outlook.

By his success at the polls the Prime Minister, Sir Basil Brooke, was able to strengthen his case for the guarantee which has since been inserted in the Ireland Bill introduced by the British Government to give effect to its policy towards the Irish Republic. This affirms the constitution of Northern Ireland and its territorial integrity and declares that no part of it shall cease to belong to the United Kingdom without the consent of Parliament in Belfast. As a means of protection against persons crossing the border from Eire with the object of influencing the Imperial elections it is also proposed that there should be a general three months' residence qualification for voters. In Great Britain residence on the qualifying date is sufficient to give Eire citizens the franchise.

The constitutional guarantee does not do much more than define an axiom. For practical reasons the right of self-determination was inherent in the grant of local self-government made in 1920. There is no precedent for the withdrawal, except by agreement, of any such privileges once they have been enacted by Parliament at Westminster. The declaration in the Bill, however, has been badly received in Eire and threatens to detract from the expressions of friendship with Britain that marked the inauguration of the

* See THE ROUND TABLE, No. 154, March 1949, p. 164.

Republic. The Irish displeasure arises from the conviction, shared by all parties, that Great Britain was responsible for Partition and is maintaining it by "an army of occupation", and it has been all the greater because of frequent suggestions that the Socialist party was favourable to a united Ireland. All the current anti-Partition propaganda has been directed to bringing pressure to bear on Mr. Attlee to repeal the Government of Ireland Act, 1920, without regard to the wishes of the majority in Northern Ireland.

As it may be concluded that no party in Great Britain would support an arbitrary measure of this kind the Ulster view is that the Irish Republic, at the outset of its career, faces a crux in its policy, whether to continue an anti-Partition agitation which through frustration might end by causing extremists to take up arms, or to recognize the present position, as established by the Treaty signed by the Government of the Irish Free State in 1925, and allow the play of peaceful processes to effect a new settlement as between Irishmen themselves. The country as a whole appears to be comparatively free from the disposition to use force, and the best safeguard to peace and to the betterment of relations between the two parts would be a long period free from outspoken controversy. But the fear must be that Partition is so much the stock-in-trade of the political parties on both sides that the subject cannot be suppressed. Any reversal of policy will be difficult in view of the reluctance in Eire to realize that Northern Ireland is "in possession" and can be won but not driven.

Meantime, the line followed by Mr. Sean Mac Bride, the Minister for External Affairs, is that the Irish Republic cannot join the Atlantic Pact until Partition has been ended; but there is nothing to show that this lever is being used successfully so long as the British Government considers that it can only intervene to ratify an agreement between North and South or to prevent aggression. Sir Basil Brooke's reply has been that a joint defence plan could be drawn up if the Eire Government genuinely desired to play its part in protecting Christian civilization. The Government of Northern Ireland, he said, would welcome such a plan, knowing that it could be operated without any change in the constitutional position.

A point is thus about to be reached at which an important decision must be made by the leaders in the Republic. After the passing of the Ireland Bill they will have the choice of accepting that Northern Ireland can only be moved by persuasion, or of persisting in a world-wide campaign based on the assumption that the Parliament at Stormont can be abolished by a stroke of British law and that the six counties within its jurisdiction can thereby be transferred from the United Kingdom (and the Commonwealth) to the Republic of Ireland. It has been proposed in Eire that the Parliament should be preserved and placed in the same relation to Dublin as it now is to London, but this has nothing to say to the fundamental issue. No freely negotiated solution to this still lively Irish question is in sight, nor can it be while the differences in allegiance and economic conditions are so broad. The most that can be hoped for is that the more realistic course will be adopted by the Republic.

Northern Ireland, May 1949.

INDIA

THE FIRST FULL BUDGET

THE Indian Budget for 1949-50, which was presented to the Constituent Assembly (Legislative) on February 28, was important not merely in the sense that all budgets are important; but also because the Finance Minister was able for the first time to furnish a statement of account for a full fiscal year in addition to budgeting for one. The fiscal year ordinarily runs from April 1 to March 31. The Indian Dominion having come into being on August 15, 1947, its finances not only suffered some fragmentation as a result of the partition of the sub-continent, but they also had to be framed for a broken and shortened fiscal period. In the circumstances any kind of comparisons with the past have been quite impossible, and the administration is entitled to plead extenuating circumstances if first estimates go somewhat awry—as indeed, on this occasion, they most emphatically did. Apart from the strictly fiscal aspects of the occasion, the first full budget brought into proper focus trends of which the general public had only been vaguely aware, and enabled the whole economic picture to be brought under review.

At this point of time and distance tax changes (which were in any case confined to very minor reliefs) do not call for any kind of detailed consideration, except to say that there is now a general recognition that the limits of direct taxation have been reached and that on grounds both of equity and practicability new imposts must henceforth be confined to the indirect field, with payment spread over a bigger proportion of the population. But the overall budgetary position disclosed an upswing of both revenue and expenditure which would have been remarkable even for the former undivided India. Revenue receipts for 1948-49 were placed at Rs.338.32 *crores* against the 1948 budget estimate of Rs.255.24 *crores*, an increase of Rs.83.08 *crores*, whilst expenditure for 1948-49 at Rs.339.37 *crores* was Rs.82.49 *crores* higher than the original estimates. It will be seen that an increase of one-third in the estimated revenue was almost entirely swallowed up by a similar increase in expenditure, and at present levels of taxation it is not an entirely academic speculation to ask what the Finance Minister would have done if revenue had not shown such unexpected buoyancy. In the longer term, the question arises whether India can indefinitely support a Budget at around the Rs.350-*crore* mark. In view of Kashmir and Hyderabad, increased outlay on the Defence Services in the past twelve months was probably inevitable; but the fact that military expenditure is running at a higher rate than in any peace-time budget under the British régime is a matter of genuine perplexity to nationalist politicians brought up in the old school of political thought. Food procurement and distribution continues to be a big item in the national accounts, and in spite of recent statements at Cabinet level that there is a likelihood of self-sufficiency by 1951, the prospect is that the cost of food will continue to plague Finance Ministers for many a long day to come.

For 1949-50 Dr. Matthai takes total revenue at Rs.307.74 *crores* and expenditure at Rs.322.53 *crores*, leaving a deficit of Rs.14.79 *crores* which, after the application of various new tax devices, will be turned into a nominal surplus of Rs.45 *lakhs*, if all goes well. As in duty bound the Constituent Assembly (Legislative) passed the Finance Bill with a more or less good grace; but it is clear that there is still considerable bewilderment, both in the legislature and in the country at large, at finding that self-government is not cheap government, as for so long was one of the Congress party's stock arguments with the public. In this, as in many other matters, India is learning the hard way.

Finance in the Provinces

PROVINCIAL budgets, presented to the various legislatures during February and March, also have their own particular tale to tell. Though provincial revenues are admittedly inelastic, the Central Government has for some months been urging provincial administrations to adhere to the path of financial orthodoxy and to eschew expensive social reforms which are likely to strain their finances unduly. West Bengal is one of the few provinces which have taken New Delhi's warnings seriously, and despite the distortions which partition has produced on her economy the provincial finances for the past and the coming year make fairly satisfactory reading. *Per contra* the Bombay and Madras budgets reveal provincial administrations resorting to trifling but desperate fiscal measures to make ends meet. In both provinces the full effects of the loss of revenue on account of prohibition measures, combined with somewhat costly social projects, are now becoming apparent. The deficit for the coming year in each province is near the 4-*crore* mark. The Bombay Finance Minister decided to make good the gap between revenue and expenditure by certain changes in the sales-tax structure and extension of the tax to exports, a stamp-duty on bullion transactions, extension of the duty on electrical energy to new categories of power consumption and a tax on newspaper advertisements. The new imposts are expected to bring in additional revenue of Rs.4.1 *crores*, which, after covering the deficit, will leave a small surplus. The Madras deficit of Rs.3.91 *crores* was attributed to expenditure on new schemes costing nearly Rs.4 *crores* and debitable to revenue account. By way of remedy it was resolved to withdraw the exemption from general-sales tax hitherto allowed on the first sale of coconuts and oilseeds, cashew nuts, sugar-cane, chillies, coffee, rubber, potatoes, pepper, turmeric and plantains. The first sale of tea is already subject to tax, but a first-sale tax will in future apply to tea exports, which was not previously the case. Thus both Bombay and Madras have begun to tinker with exports at a moment when the Central Government is pleading for increased exports to pay for essential food imports and preserve the country's dwindling balance of trade.

To make sure that every possible straw shall go on to the back of the consumer the Madras Finance Minister imposed surcharges on bus-fares and house taxes in both municipal and *panchayat* areas, a sales tax on electricity and a "suitable provincial tax" on coffee-houses, hotels, boarding-houses

and cinemas. As in Bombay there is to be a tax on advertisements and even crossword-puzzle competitions have been raked in to bolster up the new era of strength through austerity. Whether there will be an import duty on crossword puzzles from neighbouring countries or other parts of India is not disclosed, nor is it indicated whether the crossword addict will ultimately require a licence to solve his daily anagram. Part of the proceeds of these heroic measures will be applied to taking up shares to the value of Rs.102 lakhs in the financial years 1948-49 and 1949-50 in implementation of the Madras Government's undertaking to subscribe that amount to the provincial Industrial Finance Corporation. It is clear that sooner or later there will be a head-on clash between the Centre and those provinces which are courting insolvency by the pace of social reforms of dubious value. Already powerful voices are arguing that in present circumstances some of the provinces could be centrally administered with advantage to themselves and the country as a whole.

The Vindhya Pradesh Enquiry

AS against this, however, there is the fact that the Government of India is itself occupied with the administrative and other problems of acceding States where not every Cabinet in charge of a new States grouping is working as well as might have been hoped. The case of the Vindhya Pradesh States Union is happily not typical, but is a measure of the sort of thing that Sardar Patel as Deputy Prime Minister and States Minister is up against. In mid-April the Government of India were obliged to supersede the Vindhya Pradesh Union Cabinet and appoint a Commissioner in its place, the ultimate intention being to merge certain parts of the Union with the Central Provinces and the rest with the United Provinces according to geographical contiguity. All the former Vindhya Pradesh Ministers are to face an official enquiry which, according to newspaper reports, will deal with allegations which include charges of bribery, nepotism, irregularities in grain exports, "deals in cars, forcible ejection of tenants, tampering with official records, securing attendance of peasants at meetings with the help of the police, receiving self-written and subsidized welcome addresses, securing loans from Government for starting a party newspaper, insisting on the release of Socialists arrested for violent crimes, receiving presents, misusing public money and advertising stunt fasts". One ex-Minister will be called upon to answer a complaint formally lodged by Dr. Rajendra Prasad, President of the Gandhi National Memorial Fund, that it was "highly irregular" to mix collections for the fund with collections for himself or his party. The enquiry will also determine whether the monies so procured were freely given or collected in the form of a levy from cotton merchants. Vindhya Pradesh is probably an extreme case, and in a country of vast distances and somewhat inert public opinion the affair has aroused little general indignation. It serves, however, to confirm the general impression that, as a whole, Ministries in the various State groupings may ultimately be required to disappear in favour of Central or neighbouring provincial authority. Most of the new States' Cabinets are drawn from the former States Peoples Conference, which

was the Indian National Congress agency in the princes' domains. By comparison with the Congress party it was an inferior organization of which no great expectations were ever entertained. In a recent examination of political progress in the States, *The Hindu* draws the conclusions that the problem of bringing the level of administration in the State unions up to that of the administration in the provinces is urgent.

"The Governments that came to be set up in many of the new State unions", says the Madras newspaper, "were inevitably made up of men who had no great experience of leadership and no tradition of parliamentary government behind them. Few of them had unquestioned authority among the masses and far too many were involved in bitter local factions. These Ministers were loosely geared to the administrative machine, which was by itself none too efficient. And there was a widespread feeling among the peoples of these States that they had even less influence on the Ministries than they had in the old *ma bap* days."

The Politics of Language

IT is one of the paradoxes of the contemporary Indian scene that along with the demand for a national language serious consideration should also be given to the redistribution of provinces on a linguistic basis. A small corner of the province of Bihar, which is the head and front of the Hindi-speaking enclave, is at the present moment the scene of a *satyagraha* movement which may yet have widespread repercussions. The Bengali population in the district of Manbhum has resorted to the familiar forms of *satyagraha* as a protest against the attempt of the local authorities to establish Hindi as the official and educational language of the area. The usual charges of atrocities and violence have been freely made, and the *satyagrahis* are receiving considerable support from the Bengali press in the neighbouring province. Meanwhile, through a special sub-committee whose membership included Pandit Nehru and Sardar Patel, the Congress Working Committee have pronounced against the formation of provinces on linguistic lines and the whole question is to be put into cold storage for the time being in favour of tasks more urgent than the rearrangement of India on a language basis. Quite apart from purely linguistic considerations—and the special committee have pointed out that in a multilingual country there is bound to be a spilling over from one language area into another—there would be economic, financial and administrative consequences on an almost "incalculable scale" if it were decided to subdivide the country in the way the language enthusiasts demand. In their report to the Congress Working Committee the special linguistic committee draw attention to the debilitated condition of the administration at a moment when several provinces have added considerably to their area and population. There is the additional point that the multiplication of provinces would lead to a further deterioration of provincial finances that are already badly strained. Indeed, it is doubtful if some of the proposed linguistic units would be financially and economically viable. The great cities of India belong to no single language group and if, for instance, a separate Maharashtra province were formed the future of the highly cosmopolitan city and port of Bombay could not be determined by reference to

language. Finally, of course, the whole idea of the further fragmentation of the country runs completely counter to the policy of unity and integration which has been the central theme of much recent higher policy. But we have not heard the last of the language issue, in either its national or provincial contexts. Linguistic claims have played a part in irredentist movements all over the world, and it is improbable that India will prove immune to so potent a source of trouble. At the first general election under the new constitution, which is planned for 1951, 170 million voters will go to the poll out of a total population of more than 300 millions. Clearly the organizational aspect of an election of this magnitude will have to take some account of linguistic considerations and susceptibilities.

The London Conference

THE men at the top have undoubtedly been more concerned over the outcome of the Commonwealth Premiers' conference than the man in the street; though it is doubtful (judging by the volume of newspaper space devoted to the event) whether the latter has been quite so indifferent to the London talks as was implied in the somewhat ungracious statement of the Congress Party President Dr. Sitaramayya who greeted the final announcement from Downing Street with the remark that "India is neither elated nor depressed over the decision—to the common man it means nothing and if it means anything to the uncommon man there cannot be any harm." On the other hand, Sardar Patel hailed the event in much more positive terms, emphasizing "the amazing adaptability" of the Commonwealth in which he said had "lain principally its integrity and strength". He added, "it is through that adaptability that it has survived many critical moments in its history". The Deputy Prime Minister also spoke of the understanding and genuine friendliness with which the Commonwealth statesmen had sought a formula which would accord India an equal place in the Commonwealth without affecting its republican status. Recalling that in 1947 the Indian leaders had accepted the rôle of Dominion as a temporary device, Sardar Patel told a press conference in New Delhi this week: "there is no break in our membership of the Commonwealth. . . with other members we remain as free and equal members."

There has been no lack of friendly newspaper comment, of which the following is perhaps the more telling because it comes from a daily newspaper that in the past has frequently shown a bitter, almost implacable, attitude in discussing Indo-British relationships. Says the *Amrita Bazar Patrika* of Calcutta:

"What India gets is association without commitment—a partnership indeed, but a partnership which does not in any way mortgage her future. . . . Tradition and sentiment require that the formal allegiance to the Crown should be withdrawn, but our long and intimate association, often hostile, but none the less fruitful, requires that the silken tie with the great island should not be cut asunder. England has given us much, and now that she is a friendly well-wisher and not a dominating mistress, there is no reason why we should not associate ourselves with those life-giving ideals of democracy which she represents and which we prize."

Declarations in this vein make heartening reading and doubtless they will seem perfectly natural to those to whom the advantages of Commonwealth membership are self-evident beyond peradventure. But at a moment when public opinion in Britain and the Dominions is quite properly rejoicing that the Commonwealth concept has once again proved equal to the demands of a changing world, it should also be remembered that in seeking to remain in the Commonwealth the Indian leaders have not only displayed political sagacity but political courage of a high order. As in all big matters of state much of the credit for the happy outcome of India's presentation to the Commonwealth of her testament of faith goes to the Prime Minister Pandit Jawaharlal Nehru and his Deputy Sardar Vallabhai Patel who, despite all that has happened in the past, are men who harbour neither rancour nor thoughts of revenge. India's interests come first with them, but they also cherish a genuine admiration for British statesmanship and the British way of life. So, in varying degrees, do those of their countrymen who are equipped by education and experience to appreciate the true relationship of freedom and responsibility.

India,

April 1949.

PAKISTAN

CONSTITUTION MAKING

ON March 7 the Prime Minister, Mr. Liaquat Ali Khan, moved the very important "objectives Resolution" in the Pakistan Constituent Assembly. This marks the first big step in framing Pakistan's constitution. The preamble to the resolution, on which the resolution itself is based, recognizes the sovereignty of God as the fountain of all authority, to be exercised by the State through the people. The resolution itself, which will form the foundations of the future constitution, envisages a sovereign independent State exercising its powers and authority through the chosen representatives of the people in which the principles of democracy, freedom, equality and social justice, as taught by Islam, will be observed and where Muslims may live their lives in accordance with Islamic teaching. The resolution goes on to make provision for minorities to practise their religions and develop their cultures and also to safeguard their legitimate interests and guarantee the fundamental rights of Man. In moving the resolution, the Prime Minister sought to explain the apparent religious basis and thus allay the fears of the minorities by pointing out that, as it was the people and not God who would ultimately wield power, there was no possibility of Pakistan's becoming a theocracy. The resolution obviously represents a compromise between the two main currents of opinion, the Maulvi element, who would like to see Pakistan become a true Islamic State, and those of possibly more realistic conception, who consider that politics should be divorced from religion and that the "back to the Shariat movement" is incompatible with the Dominion's ambition to find an important place for itself in the modern world. As would be expected at this early stage, a clash between the two points of view has been averted. With so much work to be done, any other course would have been unwise in the extreme. Nevertheless, the real struggle cannot be long delayed once constitution making starts in earnest. In spite of Mr. Liaquat Ali Khan's assurances, the resolution clearly lays down a close relationship between Islam and the basic principles on which the constitution is to be framed, but, given that an ethical basis is a desideratum of any constitution and that no other basis than Islam was possible, the resolution does no more than emphasize this connexion. That this became necessary is no doubt due to the Maulvis and this, in fact, is the only real criticism that can be made. This point, quite naturally, worried the Opposition, who sought to sever the proposed relationship between God and the people's will, and to have it laid down more clearly that the will of the people would ultimately prevail. The fears that Islam might become an all-pervading force caused fourteen amendments to be moved against the resolution, all by the Opposition, and although one is left with the feeling that these fears were more imaginary than real, it is small consolation for the non-Muslim to be told that Islam is capable of solving all his difficulties. The minority communities can, however, take comfort in the thought that the real test between the Maulvis

and the modernists has yet to come; and eventually they may well find their position a good deal more secure than appears at the moment. After a five-day debate, in which nearly all the criticism was voiced by the Opposition, the amendments were defeated and the resolution passed intact.

The Second Budget

IF Pakistan's surplus budget last year surprised critics of her economic and financial position, the second surplus this year has finally convinced them that the new Dominion has really come to stay. The loose talk about Pakistan as an economic impossibility, so widespread eighteen months ago, has completely disappeared, and gone also is the view that Pakistan's industrialization will be achieved in the matter of a few years. The days of wild planning and gold-rush-like enthusiasm are nearly over and have given way to a more sober view of the situation, in which it has at last been recognized that much solid work has got to be done and numerous difficulties overcome before plans can be implemented. Nevertheless, as the Finance Minister pointed out in his Budget Speech, much has been done in the last year in spite of almost insurmountable problems. The refugee question is well under control and prices have come down, mainly because of the country's ability to pay for imports on a generous scale. The outstanding features of the budget are a substantial provision of Rs.4 *crores* for agricultural and industrial development and the expenditure of Rs.30 *lakhs* on the development of Baluchistan, at present Pakistan's most backward area, both politically and economically. In addition, liberal pay increases have been made to lower-paid government servants which, in some cases, go even further than the recommendations of a recent Pay Commission. This will do much to improve the morale of a class on whom the efficiency of the government machinery depends more than most people imagine. Presenting essentially a poor man's budget, the Finance Minister has found it possible to give a number of measures of relief to the poorer classes. The sales tax, which, when imposed, applied to all commodities, has been remitted in the case of food grains, fresh vegetables and milk, and the taxable minimum for income tax raised from Rs.2,500 to Rs.3,000. As a further measure of encouragement to industry, the import duty on machinery has been reduced from 10 to 5 per cent. Other measures of additional taxation have been confined to articles of export or to articles consumed mainly by the well-to-do. The duty on tobacco and cigarettes has been increased and the import duty raised on certain goods exported from India, while new export duties are levied on cement, fish and bamboos, and an excise duty on jute exported to India; this will not, however, come into effect until the next baling season, and then only if India does not agree to accord Pakistan the same treatment in the matter of duties as she does to other countries according to agreed international convention. The fact that it has been possible to present a surplus budget, after allowing for substantial concessions to low-paid government servants, and making provision for large-scale capital expenditure, coupled with measures of taxation relief, will do much to establish Pakistan's financial and economic reputation; and the budget should encourage that flow of

foreign capital on which Pakistan's industrialization seems likely to depend more and more.

There is a general feeling of satisfaction with the budget, and Mr. Ghulam Mohammed's stock has risen high. The business community, though considering the budget good on the whole, wishes the Finance Minister had had the courage to reduce the high rate of direct taxation and so increase incentive at a time when this is so vital for the development of the country. On the face of it, it would seem paradoxical for the Government on the one hand to set up a body like the Industrial and Finance Corporation intended to aid the financing of industry and, on the other, to impose such high rates of direct taxation that incentive is destroyed. In this connexion it is interesting to note that Pakistan still maintains the enhanced rates imposed by Mr. Liaquat Ali Khan when Finance Member of the Government of British India. It was his avowed intention at that time to relieve war profiteers of some of their ill-gotten gains, but what was suitable for undivided India is by no means suitable for Pakistan and, although substantial reductions have been made in India in the budget of 1948 and again this year, the need for this has not been recognized in Pakistan. There are one or two other disquieting features which must be pointed out. Pakistan's economy depends at present almost entirely on her raw materials, particularly jute, and, while these commodities continue to be in world demand and fetch high prices, they can be made a useful source of revenue and can also provide Pakistan with the valuable foreign exchange necessary for the purchase of her imports. Such conditions will not prevail for ever, and Pakistan may well have to look for other sources of revenue once trading conditions return to normal. Apart from this happy situation in regard to exports, the influx of imports has also produced a wind-fall in customs duty which may not be repeated. The budget speech resulted in relatively little debate; the absence of enthusiasm being not so much due to a lack of interest by members as to the fact that the vast majority of Muslim members at any rate are content to let the Government get on with the job.

Provincial Embarrassments

UNFORTUNATELY, the situation in the provinces is not quite so reassuring. Mr. Yusuf Haroon, who three weeks before had rather unexpectedly been called upon to form a Government and whose Cabinet had obviously had no time even to review the budget prepared by the outgoing Ministry, had to admit to a 96 *lakhs* deficit. This compares with a deficit of Rs. 140 *lakhs* last year. Mr. Haroon could offer very little hope of better times next year and the outlook for Sind is rather gloomy. The remedies suggested by the Premier include the retrenchment of 34 development schemes, out of a total of 88 now under consideration, while new taxation measures include an emergency cess on land revenue, higher taxation on certain classes of motor vehicles and an increase in stamp registration fees. It cannot have been easy to find additional sources of income. Serious floods last year, which ruined thousands of acres of crops, have placed a strain on the province's agricultural economy and the taking over of Karachi by the Centre has removed the most obvious source of additional income. Among new measures

proposed to increase revenue in the future are the nationalization of transport and State trading schemes; neither of which can be expected to offer immediate or even assured sources of income. As though Sind has not had her fair share of trouble, it was learnt with something approaching dismay that the famous Lloyd Barrage on the river Indus, constructed between 1923 and 1932, and irrigating thousands of acres in Upper Sind, had suffered serious damage. It is difficult to assess the real extent of the trouble, particularly as there has been a wide divergence of opinion regarding the actual damage, and estimates vary from Rs. 5 *lakhs* to Rs. 20 *crores*, but it is at least clear that damage has occurred to the masonry of some of the main piers above the water line. The Sind Government have taken up the question of repairs very energetically, and it is to be hoped that these will start soon; and, although earlier reports were very pessimistic, it now seems certain that irrigation will not be affected at all.

Returning to budgets, the East Bengal Budget shows a deficit of nearly 2½ *crores*. An important feature of the budget is the provision of 3.23 *crores* for development purposes, of which 1 *crore* is earmarked for direct investment by Government in industry. Capital has been extremely shy in East Bengal, and there also seems little eagerness on the part of Western Pakistanis to invest money themselves there, and this will give a very necessary lead to private enterprise. Other development schemes announced include the construction of 300 miles of roads and a number of bridges, both very necessary in a province where the main arteries of communication are still the rivers. No fresh taxation is proposed since, apart from capital expenditure, the budget would be a surplus one, and the deficit is to be made up by loans from the Centre.

The North-West Frontier Province Budget shows a deficit of nearly 15 *lakhs*. This would have been larger but for the fact that Government were compelled to introduce new taxation during the year, such as the agricultural income tax, and an increase in the stamp duty by 25 per cent. Other measures are a duty on imports into municipalities, and also a bicycle tax, the income from which is to be used for increasing educational and transport facilities. The deficit has not discouraged the Government from providing for several development schemes, which include the provision of better medical facilities, bridge building and work on a number of hydro-electric schemes.

The West Punjab alone has a surplus budget, and Sir Francis Mudie, the Governor, now administering the province under section 92 A of the Constitution Act, was able to announce a small surplus of 9 *lakhs*. Incidentally, the Governor's present powers are not to be confused with the old Governor's Rule under section 93 of the old Government of India Act, since the Governor is now responsible to the Governor General and hence the Pakistan Parliament, whereas under the old régime he was responsible to the Viceroy and ultimately to the British Parliament. The West Punjab's financial position has been very critical since partition, necessitating at one time the interference of the Centre. For 1949/50 the revenue is estimated at Rs. 140,000,000 and expenditure at Rs. 166,200,000. In order to meet the deficit, the agricultural income tax, first imposed last year, has been extended

for another year and is also made more progressive, while the rate for canal water has been increased by 40 per cent. There can be no quarrel with these measures, for agricultural taxation, till recently, was based on the low price levels of the thirties, and agriculturists have reaped rich harvests in the war years, with food prices rising to four times the pre-war levels or more, whereas the main items of consumption, such as cloth, reached nothing like these figures. The increase in the water rate was an obvious measure. The expenditure on the maintenance of canals has greatly increased during the last ten years, and yet *zamindars* have been getting this important raw material at pre-war prices. The absence of any taxation in the commercial sphere is explained by the fact that trade and commerce are taxed almost up to the hilt as it is.

The Housing Situation

THE housing problem in Karachi, and for that matter in other towns as well, is as acute as ever. The most a new-comer to Karachi can expect is to share a room in a hotel with a total stranger, frequently at an exorbitant price. The possibility of obtaining a house or flat on lease, or even purchasing one, is remote, and there are few who have no accommodation problem at all. Even the lucky ones, who were installed in their own houses at the time of partition, have been persuaded or cajoled into offering any spare room to their friends, or even friends of friends, and there must be very few people left who have the brazenness to live in the spaciousness of pre-war days. The House Rationing Scheme for Karachi, announced some time ago, has not yet come into effect, but has at least had the effect of frightening anyone left with a spare room into offering it to somebody less fortunate. It seems very unlikely that any rationing scheme will work satisfactorily, although Government have rightly declared that it will apply to all, irrespective of caste or creed. The only remedy, of course, is to build. The Pakistan Government have only recently decided on the site of the new capital, and it will take some time before they can start building residential accommodation. The expected exodus of the Sind Government to Hyderabad would have left some spare room available, but this now seems indefinitely postponed. There is practically no building going on for investment purposes, partly because of the relatively high price of land, and partly because all such premises would be immediately requisitioned, probably for Government officials, and the policy in this direction seems to be one of "wait and see". A few private firms are building accommodation for their European employees, and a recent announcement has reassured them that houses erected for a person's own use will not be requisitioned by Government. Nevertheless, with land selling at between Rs. 15 and Rs. 30 or more a square yard, and even an unpretentious house costing nearly a *lakh* of rupees, there are only a limited number of firms prepared to undertake this expenditure. The position about office accommodation is even worse, and much of the commerce of Karachi and Chittagong is at present being carried on under very trying conditions indeed.

Pakistan,

April 1949.

CANADA

THE NORTH ATLANTIC TREATY

ON Monday, March 28, a week before the signing of the North Atlantic Treaty in Washington, a resolution was adopted by the Canadian House of Commons approving in general terms the draft text of the treaty. A few days later the same resolution was carried in the Senate. The action of the Canadian Parliament had been virtually unanimous. The resolution in the Senate had been adopted by a standing vote without dissent. In the Commons a division had been necessary only because of the opposition of two members of the House who advocate Quebec nationalism in its most extreme form. Theirs were the only votes cast against the resolution. The recorded vote, which they had thus forced, had the effect of making clear beyond any question of doubt that the action which the Government was proposing to take in signing the treaty was supported by every section of Canada.

The debates in Parliament were brief and non-controversial, and were concluded in the House of Commons within the sittings of a single day. They had, however, been preceded by a prolonged and well-informed public discussion, extending over many months. During this period, members of the Government had frequently commented in public on the proposed treaty, and a number of references to it had already been made in the House. The Government had indicated quite clearly that it regarded a treaty of some sort as necessary, and that it was engaged in a series of non-committal negotiations with a view to concluding one. The general character of the treaty had also been made known to the public, and no doubt had been left as to the nature of the commitment which Canada would be required to accept.

In the Speech from the Throne at the opening of the current session of Parliament it had been stated that "the first concern of the Government in world affairs is to ensure peace and security", and the members had been informed that a treaty would be laid before them for approval. A few days later, in the debate on the Reply to the Speech from the Throne, the Secretary of State for External Affairs had discussed the proposed treaty in considerable detail, on the basis of general information already available to the public, though the draft text had not yet been announced. There had, therefore, been ample opportunity for mature consideration before the debates in Parliament took place.

In the course of these discussions, the attitude towards the treaty of both the Government and the public had been given general definition. The treaty had been evaluated in terms of the extent to which it would serve the national interest. It had been considered by various groups in the light of traditional attitudes towards foreign affairs. The French language press, for example, in its comments on the proposed treaty, had given expression to the

continuing concern of Quebec over "automatic commitments". In other places the effect of the treaty on the United Nations, the Commonwealth and other Canadian interests had been considered. By this process a body of opinion had developed which it is possible to describe and analyse.

In the first place, it was clear that Canada's support for the North Atlantic Treaty was a natural outgrowth of a search for security through some form of collective action. It was generally realized that Canada could not stand alone in the world, and that its defence could be secured only in association with other States. This was a recurrent theme in official statements. In a public lecture in Toronto in January 1947, Mr. St. Laurent, now Prime Minister of Canada, but at that time Secretary of State for External Affairs, said: "If there is one conclusion that our common experience has led us to expect, it is that security for this country lies in the development of a firm structure of international organization."

Canada and the United Nations

IT was this conviction that led the Canadian Government to give full and unqualified support to the United Nations in the post-war period. If, however, collective security could not be obtained, for the time being at least, solely through a universal organization, then the Canadian Government would look for it in some lesser association. The least satisfactory alternative to general collective security, however, even on a short-term basis, would be a simple military alliance, particularly if it were necessary to conclude such an alliance with one State only. Security must be sought through the collective action of a number of States, co-operating in as many activities as possible. In this way Canada would be able to avoid the necessity of making a choice between the United States and the United Kingdom as a sole or principal partner. It would be possible also to avoid the difficulties and inhibitions that are created in a bilateral treaty between a very large and powerful State and a weaker associate. These considerations are reflected in the statements of Canadian spokesmen on the North Atlantic Alliance from the very inception of the proposal, which was, to some extent at least, of Canadian origin. The first reference by a member of any Government to the possibility that an alliance might be established within the United Nations to solve the problem created by the inadequacies of the Security Council was made by Mr. St. Laurent in the opening debate at the General Assembly in 1947. In this initial tentative statement, he indicated the continuing desire of the Canadian Government to seek security in as wide an association as possible.

"Nations", he said, "in their search for peace and co-operation will not, and cannot, accept indefinitely an unaltered Council which was set up to ensure their security, and which, so many feel, has become frozen in futility and divided by dissension. If forced, they may seek greater safety in an association of democratic and peace-loving states willing to accept more specific international obligations in return for a greater measure of national security. Such associations, it has already been pointed out, if consistent with the principles and purposes of the Charter, can be formed within the United Nations. It is to be hoped that such a development

will not be necessary. If it is unnecessary, it will be most undesirable. If, however, it is made necessary, it will have to take place. Let us not forget that the provisions of the Charter are a floor under, rather than a ceiling over, the responsibilities of Member States. If some prefer to go even below that floor, others need not be prevented from moving upwards.

"Two, or more, apartments in the structure of peace are undoubtedly less desirable than one family of nations dwelling together in amity, undivided by curtains or even more substantial pieces of political furniture. They are, however, to be preferred to the alternative of wholly separate structures."

The public discussion of the proposed North Atlantic Treaty had made it equally clear that the Canadian Government had no intention of abandoning the United Nations or of weakening its support for that organization. From the beginning the Canadian Government had done all in its power to strengthen the operations of the United Nations. It had accepted membership on a number of United Nations bodies and it had sent large and well-qualified delegations to those gatherings. It had joined all the specialized agencies and contributed generously to the more costly of them, such as the International Refugee Organization.

No public statement in Canada on international affairs had failed to contain a renewal of the pledge to stand behind the aims and purposes of the United Nations. At the opening of the Assembly in 1946 the Canadian representative had urged the permanent members of the Security Council to proceed at once with arrangements for the provision of military forces and had said that the Canadian Government was prepared itself to enter into the necessary military agreements once it became possible to do so. A year later Mr. St. Laurent made known the willingness of the Canadian Government to accept membership on the Security Council. He said at that time that Canada must be prepared to accept its responsibilities of membership, and to accept them even at a time "when the going is hard and when the future is by no means certain". He did not think that Canadian people would tolerate any other attitude in regard to the United Nations. "I am certain", he added, "that we carry the support of every thoughtful Canadian in our determination to make every effort towards the success of this new experiment in international organization."

Mr. Pearson's Statements of Policy

THIS theme was constant as discussion developed on the North Atlantic Alliance, and was fully reflected in the press. Canada would remain loyal to the United Nations and would continue to work for its success. As one editor put it,

"The signers of the Atlantic Pact will keep in mind that this treaty does not replace the United Nations charter. The Atlantic Pact becomes operative only when one of its members is attacked. The United Nations is essentially an instrument for averting that first attack, for settling disputes before the shooting starts, for removing the frictions that cause war. The United Nations should have been the framework for what is embodied in the Atlantic Pact, but Russia prevented that. So actually the Atlantic Pact supplements the United Nations. The two fit together."*

* *Calgary Albertan*, April 5, 1939.

Mr. Pearson, the Secretary of State for External Affairs, had, therefore, full public support when, in presenting the draft treaty to the House, he stated in the most categorical terms the determination of the Government to continue its strong support to the United Nations. He reiterated this view a few days later, immediately after he had signed the treaty, in a public meeting in New York, when he said:

"The war had taught at least this one lesson, that the nations must act together not only to keep the peace, but to build a peaceful world. As an instrument for such collective action, they were determined that an international organization must be set up. This was the road on which we started when the United Nations was established. Unfortunately, it is now evident that we made this start in a gear that was too high. Perhaps that accounts for our bumpy and jerky progress during these early years of the United Nations; perhaps that is why the motor has shown a tendency to stall. The North Atlantic Alliance is a similar machine. We are starting it in a lower gear, but we are on the same road. I think there is a good chance that in our smaller, lower-g geared machine we may be able to give the United Nations a starting push, and help it to 'get rolling' in the way we originally intended. In any event, we are not abandoning it, nor will we in any way impede its progress. I know that Canada will not take part in any activity under the North Atlantic Treaty which contravenes the principles or purpose of the United Nations, or which is provocative or aggressive in character. I feel sure that the other governments which have signed this treaty can give the same pledge. The aims and purposes of the North Atlantic Treaty are precisely the same as those stated in the Charter, and the effect of the proposed alliance can strengthen the United Nations by creating conditions in which it can do its best work."

It was equally clear from comments by official spokesmen in Canada on the North Atlantic Treaty that no retreat to any kind of regional isolation was intended. Within the general framework of the United Nations, Canada had a variety of associations with other states, and the North Atlantic Alliance was not to be regarded as a substitute for any of them. Most important, by reason both of its history and of its practical consequence in existing circumstances, was the British Commonwealth. Two members of the Commonwealth would become signatories of the treaty, but in taking this step they were in no way diminishing their belief in the Commonwealth nor their desire to maintain it. This aspect of Canadian policy was given practical demonstration by the fact that, within a fortnight of signing the treaty, Mr. Pearson went to London to attend a Commonwealth Conference, the importance of which was fully realized and acknowledged by the Government and the public alike. The Government had also denied the suggestion that the signing of the North Atlantic Treaty would reduce its interest in the Pacific. This question had been raised by a member from British Columbia, with reference to rumours that were then current concerning proposals for a defence alliance in the Pacific. Mr. Pearson said that nothing was known of these plans, but he was careful in other contexts to make it clear that Canada would continue to share with other Commonwealth countries their concern for stability in the Pacific.

The attitude of Canada towards other associations of States not included

in the North Atlantic Treaty, and to individual States which shared the purposes of the North Atlantic Group, was defined by Mr. Pearson when he presented the draft treaty to Parliament, in the following terms:

"There are many states, not included in the alliance, which share our traditions, which believe in peace and freedom as we do, and which are strong and responsible members of this democratic community. Our relations with them will be no less cordial and our willingness to co-operate with them for mutual welfare and security will be no less effective because we have made this North Atlantic Treaty.

"There is nothing in this treaty that should produce an exclusive or isolationist or superior attitude among the members of this group. The world is too small, and its parts are too closely related, for even regional isolation. Because we shall have increased the measure of our own security, we shall not cease to be concerned about the welfare of like-minded and peace-loving states in other areas. Our commonwealth of nations, for instance, will be no less durable if two of its members sign this treaty. We shall continue to be aware that the various regions of the world are interdependent in security matters. We hope that elsewhere in the world peace may be strengthened by agreements similar to the North Atlantic Alliance or by associations such as the British Commonwealth of Nations."

The Threat from the East

CANADA's purpose in joining the alliance had also been made clear in the course of the discussions. No effort was made to disguise the source of the fears which had brought about this radical change in Canadian foreign policy. The Canadian Government had watched with growing apprehension the persistent intransigence of Soviet foreign policy. The great military power at the disposal of the Soviet Government, used in association with the threat of revolutionary communism, had destroyed the freedom of almost all the peoples on the borders of the U.S.S.R. This spreading danger had forced the Western world to unite. This theme was stated again and again by members of the Government, by the Opposition and by the press of both languages. The statements of the leaders of the three Opposition parties during the debate on the draft treaty are of particular interest in this regard. Three brief quotations will serve to indicate the extent to which all groups agreed with the estimate which the Government had made of the source and extent of the danger. Mr. Drew, the leader of the Progressive Conservative party, the official Opposition, said:

"We would not be facing reality in our discussions if we did not admit with complete frankness what the threat is that we are preparing to meet. It is obviously a direct attack upon the free nations of western Europe which presents the most immediate threat. Only by keeping in our minds what the situation is there to-day can we appreciate the sense of imminent danger in which the democracies carry on their daily activities.

"The heavy armour of the largest land forces in the world is massed along a line which is only a little more than twenty miles from the North Sea port of Hamburg, only one hundred and thirty miles from Holland, only one hundred and fifty-five miles from Belgium, and one hundred and thirty-five miles from France. The Soviet armies are only a short march from the North Sea, the English channel, and the Atlantic seaboard."

Mr. Coldwell, C.C.F. leader, spoke in similar terms:

"The pact now before us recognizes the existence of a division in the world and emphasizes that there are two opposing power blocs. Unfortunately in the present world situation there appears to be no alternative to that recognition. In my opinion, Mr. Speaker, the reason the western European democracies moved closer together for joint defence was that they viewed with grave alarm and mis-giving the formation of a solid communist block under the leadership of the Soviet Union. It is not too strong a statement to make to say that the eastern bloc is under the complete control of Russia."

Mr. Low, leader of the Social Credit group which generally had tended to be critical of the Government's international commitments, was equally explicit concerning the dangers of the existing situation. He said:

"I saw enough when I was at the United Nations Assembly in 1947, and in Europe just last autumn, to make me realize that the remaining free countries of the world must stand together, and must speak with one voice, a voice of readiness and of warning to Russia and to her satellites or, for that matter, to any other uneasy nation or group of nations. Therefore we are in full agreement with the military and the defensive side of the North Atlantic security pact."

The nature of the commitment which Canada was being asked to undertake in the treaty was equally clear to the public. The implications of Article 5 of the treaty were fully appreciated, and no effort was made to reduce the obligation by interpretation. Though the right of the nation to make its own decisions was not to be sacrificed, it was clearly stated and fully understood that by the treaty Canada was bound to take whatever action was appropriate and necessary if any member of the alliance were attacked. In contrast to efforts which had been made after the First World War to reduce the significance of the commitment under the Covenant of the League of Nations, Canadians of all parties on this occasion seemed anxious to give assurance that Canada would play its full part as a member of the alliance.

There was general agreement, however, that the alliance should be more than a mere instrument for military assistance in the event of war. Government spokesmen indicated that in the course of the negotiations in Washington during which the draft text had been prepared, the Canadian representatives had attached particular importance to Article 2 of the treaty. This article contained the promise of economic, social, and cultural co-operation amongst the signatories. By means of action under this article the alliance might become an instrument both to strengthen its members in peace-time, and to remove the economic and social problems upon which communism thrives. The record makes it perfectly clear that all parties in Canada take seriously this aspect of the treaty, and that the public is prepared to support efforts to make of the alliance by this means a constructive force in international affairs.

Finally, the discussion of the North Atlantic Treaty in Canada had made clear the extent to which the Canadian people regarded the proposed alliance as a natural expression of associations and affinities that already existed amongst the group. The strength of the alliance would rest primarily upon

the extent to which its members had traditions in common, and shared political and cultural values which they were prepared to defend. For this reason Canadians were prepared to participate in developing to the fullest extent possible the mutual understanding amongst the members of the alliance in the common origins of their institutions and their culture.

It was, then, in a hopeful mood that the Canadian Parliament gave approval to the signature of the treaty by the Canadian Government. The North Atlantic Treaty, according to Mr. Pearson, was "a new beginning, because of its enormous possibilities for good". In stating this conviction he reflected not only the attitude of Parliament but of the country generally. "There is nothing inevitable about war", he said, "there is nothing unchangeable about evil. If we of the free world can pursue the firm and constructive policies of resistance to communism that are now in train, refusing to be dazzled by delusions of appeasement or stampeded by the provocative counsels of panicky men, we may emerge from the wastelands of our post-war world into greener fields of human achievement."

Canada,

May 1949.

AUSTRALIA

A DEBATE ON FOREIGN POLICY

THE debate on foreign affairs initiated in the House of Representatives on February 9 by the Commonwealth Minister for External Affairs, Dr. Evatt, revealed some of the recent trends in Australian foreign policy. The Minister set out to restate the basic principles guiding the Government in its administration of foreign affairs, and the comments and criticisms from the Opposition showed the extent of agreement and disagreement between the parties upon the issues involved.*

Dr. Evatt maintained that he was declaring again the principles of policy which had guided the Federal Labour Government since it took office in 1941. They were:

1. Steady and unwavering support for the United Nations and especially for the purposes and principles declared in the Charter of the United Nations.
2. The closest co-operation with all members of the British Commonwealth of Nations.
3. Co-operation with the United States of America.

The Leader of the Opposition, Mr. Menzies, later pointed out that these principles were not the invention of the Labour party but were, in fact, common to both sides of the House. The remarkable feature of them is the extent to which they show that the foreign policy of the Australian Labour party has changed since 1941. Before Pearl Harbour and the events which followed close upon it threatened the very existence of this country, the Australian Labour party had tended more than its political opponents to an attitude of isolationism. Before 1939 there were many elements in the Labour party which viewed with suspicion any entanglements of Australia in overseas affairs and showed dislike of the degree of dependence on Great Britain's leadership which membership of the British Commonwealth was alleged to involve. In the crisis of war these elements, with minor exceptions, were prepared to co-operate in the common effort, but the pattern of their thinking had not really changed from the form into which it had relapsed after the similar crisis of 1914-18.

Australia's life-and-death struggle in the Pacific War shattered this isolationism completely, and in the vacuum left there grew gradually the kind of policy which is now dominant in the Australian Labour party and the Australian Labour Government. It was embodied in the three principles set out by the Minister; but it is in the application of those principles that the real extent of the change of mind becomes apparent. The principles may

* The background of Australian foreign policy was surveyed in THE ROUND TABLE for September 1946. The last important foreign affairs debate in the House was reviewed in September 1948.

be common to all political parties, but in putting them into practice the Government has shown a preoccupation with international rather than national interests, which is beyond what appears to be the policy of its opponents and which almost reverses Labour policy before the war.

In the debate the Minister's exposition of these three principles developed mainly into a defence of the United Nations and of his own Government's policy with regard to certain of the issues which have come before that body. He began with the premiss of the essential unity of the modern world and the impossibility of living in isolation from any of the issues which disturb it—a premiss which all subsequent speakers took for granted. He referred to the principles of the Charter calling for a settlement of all international issues on the basis of justice, taking as an example of the application of these principles the activity of the United Nations in relation to Palestine, with its procedure of "fact finding" followed by the endeavour to produce impartial recommendations. He pointed to the recommendation of the Commission of Enquiry presented to the Assembly in September 1947, to the effect that there should be a political partition and an economic union of Palestine with special trusteeship provisions for the Holy Places, and its adoption by the Assembly, as an example of international co-operation based on sound principle, maintaining that but for such action by the United Nations there would have been a full-scale war in Palestine and possibly in the whole of the Middle East. The Jewish State, which had now been established, was in accordance with the decisions of the Assembly.

Subsequent speakers pointed out that in all this discussion of Palestine the Minister did not discuss the real issues in the clash between Arab and Jew, nor strategic and other interests of Australia and the rest of the British Commonwealth in the Near East, but dealt only with the procedural requirements of the Charter. Several claimed that the result of the recent events in Palestine had been the establishment of an Israeli State after a period of bloodshed and confusion, and in spite of what they called the interference of the United Nations.

Indonesia was taken by the Minister as a further example of the application of United Nations principles. He affirmed that but for the intervention of the United Nations there would have been complete chaos in Indonesia; and that Australia took a large part in that intervention. He repudiated any intention of showing hostility to the Netherlands and insisted that the Australian Government's essential purpose had been the prevention of bloodshed in Indonesia.

British Commonwealth and United Nations

HE then turned to the question of British Commonwealth co-operation, and emphasized the fact that although each member of the Commonwealth must naturally have special regional interests Australia had never "held back from the full implications of British Commonwealth membership". It had rather taken the lead towards initiating improvement in the practice of co-operative consultation. He referred with pleasure to the recent conference of leaders of the British Commonwealth, at which three new

members, India, Pakistan and Ceylon, were present, stating emphatically that the word "British" had not been omitted from the title of the Commonwealth. He asserted that negotiations and consultations were very much more extensive now than at any previous time, and that the Australian Government was active in proposing improvements in the system (such as the British Commonwealth Secretariat which had been suggested by Mr. Curtin in 1944); but the more cautious approach of other members made movement slow.

He was emphatic that there was no conflict between the two principles of support of the United Nations and co-operation within the Commonwealth, since the British Commonwealth was itself "a brotherhood of free and equal nations" pledged to support of the United Nations, both having the objective of peace based on justice.

He referred then to the third principle—close association with the United States. He stated that the United States had not asked Australia to hand over the naval base of Manus and that his Government had no intention of offering it. The island was an important naval stronghold to the north of the continent and must as such remain for Australia to develop.

In referring again to the importance of the United Nations he mentioned the attempt by his own initiative as President of the General Assembly to resolve the Berlin blockade, contending that this attempt had gone near to success. This subject was not discussed extensively in the debate, although outside Parliament Dr. Evatt's move has come in for a good deal of comment. His critics have argued that the real effect of what he did was to weaken the hands of the Western Powers with which Australia's interests were indissolubly linked. It is believed that his action was taken without prior consultation with the other members of the British Commonwealth. His supporters, on the other hand, argue that in the deadlock any reasonable attempt at a solution was worth making.

In the course of his speech an interjection raised the question of the Atlantic Pact. The Minister said that regional understandings were not inconsistent with the Charter and that the Pact might be a valuable supplement. From what he said in his later speech in reply and from the public support given by the Australian Prime Minister to the Pact when its terms were announced, it seems clear that the Australian Government has strongly supported the idea of the Pact in its discussions with other members of the British Commonwealth.

As a whole the Minister's statement was remarkable as exhibiting the degree to which the idea of international organization had become dominant in the making of Australian foreign policy, as framed by Dr. Evatt. Later speakers were not slow to point out what they considered to be the Minister's obsession with procedure. What may be an extreme example is the passage in the speech relating to the findings of December 21, 1948, of the Committee of Good Offices in Indonesia. These, after criticizing the Dutch, directed that the leader of the Republican Government be immediately released. Dr. Evatt commented that "what has happened since has been strictly in accordance with United Nations principles". A glance at subsequent events

in Indonesia makes this comment appear a little strange, but examination of the context of the remark shows that what the Minister had in mind was that the procedural requirements of the Charter were subsequently observed. There are some who contend that this element in the foreign policy of the Minister has become even more significant than it was before his last absence overseas. Critics say that the Minister has now become so concerned with the forms of international organization, particularly during his last stay abroad during which he was President of the United Nations Assembly, that he has lost touch with the realities of Australian interests.

Views of the Opposition

THE speech of the leader of the Opposition, Mr. R. G. Menzies (who had recently returned from a visit to the United Kingdom and U.S.A.), showed immediately the contrast between the approach of the Minister and that of his political opponents. Mr. Menzies said that the three principles which had been set out by the Minister were no less his own; the same kind of principles had long been common to both parties. His criticism was based not upon the ideals of the United Nations but on the unpractical application of them in the circumstances of to-day. The United Nations was an ideal to which all subscribed, but its weaknesses as an organization without real power made reliance upon it illusory. From the very nature of the veto the organization was impotent in the face of the Great Powers.

He believed, therefore, that while support for the Charter of the United Nations is "a background and the ultimate ideal of our international policy", the immediate task was, first, to build up the strength of the British Empire and the United States; secondly, to press on with the restoration of France and western Europe generally; and, thirdly, to promote such special pacts and alliances as will make clear to the Soviet Union that aggression will not pay.

He was strongly critical of the attitude of the Government in the Indonesian dispute, saying that "in plain terms we have been assisting to put the Dutch out of the East Indies. If we continue to do that the same process will, no doubt, eject the British from Malaya and the Australians from Papua and New Guinea." He pointed out the danger in the very recognition of the right of an international body to interfere in what the Dutch maintained was a domestic matter, a right which might well be claimed at some later day in relation to Australian immigration policy. The claims of the Minister to be interested only in justice in Indonesia without hostility to the Dutch were to be read in the light of what Mr. Menzies regarded as the inaccurate and tactless criticism of the Dutch which came from elsewhere—a reference to what the Opposition considered the indiscretions of the Minister for Information—and of the failure to counter the ban by waterside labour on Dutch shipping. The attendance of an Australian representative at the New Delhi Conference, where the Dutch were condemned in their absence, was a further example of the Government's prejudices.

Turning to the problem of Russia in Europe he maintained that the Minister, with his emphasis on what had taken place before the United

Nations, was completely separated from the real issues of the matter, the struggle over Berlin, the problem of France and Communist infiltration throughout the Continent. The real safeguard was the possession by the United States of the atomic bomb. In such circumstances much more important than debates in the United Nations were such agreements as the Atlantic Pact, and in the Pacific the closest co-operation with the United States on the subjects of Japan and of American bases, and the suppression of Communist insurrection throughout the East Indies.

The Indonesian Question

IN the debate Indonesia was the subject of particular attention. The issue there is important in itself and also exemplifies the whole problem of the relation of the new national movements in the East to the interests of the Western Powers concerned. The critics of the Government said that Australia as the main representative of the European peoples in the West Pacific and Indian Ocean area could not but be alarmed by the establishment of revolutionary powers in the Near North. The elimination of the Dutch in Indonesia would, they affirmed, remove a stabilizing and beneficial influence and would weaken the similar power of Britain herself in Malaya. Government speakers, on the other hand, maintained that this view was superficial and that the Indonesian Republican movement was a reality, which could not be dealt with by the repressive methods of nineteenth-century colonial government. Whatever the merits or faults of the Dutch had been, in particular as colonial governors, and whatever the Japanese associations of some of the present Indonesian leaders had been, it was useless to deny the existence of Indonesian nationalism, and there was much to criticize in the handling of the situation by the Dutch, particularly in what seemed their precipitate military actions. Australia had not been alone in her condemnation of the Dutch. She had followed, it was claimed, the same line as her powerful friends, Britain and the United States, in all major decisions taken by the United Nations on the whole Indonesian problem. The justification for Australian attendance at the Delhi Conference was that it would have been unwise for Australia to snub such an invitation from a fellow member of the British Commonwealth at such a delicate stage in the history of Commonwealth relations. It was the ultimate interest of Australia to side with the new order in East Asia rather than the old.

Two other matters were prominent in the debate. The first of these was the fact that, largely at the insistence of the Australian Government, the United Nations was pledged to support of "full employment". Dr. Evatt and speakers on the Government side regarded this pledge as one of the important elements of the United Nations structure, but Mr. Menzies claimed that the insertion of the pledge in the Charter was a mere sham which diverted attention from the real factors determining prosperity. The other point was the reference by Mr. Menzies (supported by some other Opposition speakers) to the suggestion which he had made on many previous occasions that there should be a foreign affairs committee of the Federal Parliament consisting of representatives of all parties from both Houses.

This would help to ensure the formulation of foreign policy on a non-party basis and would, on the one hand, help to disseminate information among members and, on the other hand, provide the Government with useful advice. He implied that the Minister by his consistent refusal to accept this suggestion was showing his unwillingness to relinquish any of his personal control in the realm of External Affairs.

Dr. Evatt's Reply

THE most interesting part of the Minister's contribution to the debate was his speech in reply. In it he dealt with the issues more clearly and concisely and at the same time more comprehensively than in his opening speech. The United Nations, he claimed, provided a basis of principle and a code of conduct as well as an organization. It was not something for the distant future, but with all its imperfections represented our best hope of avoiding war in the next few years. The Atlantic Pact—and regional arrangements of the kind—were valuable additions to the system of the United Nations.

He maintained that in the troubles in Indonesia, Malaya and elsewhere in the East, Australia had not supported the forces of disintegration against those of order, nor those of colonial repression against those of freedom, but had sought to decide each case on its merits on the basis of sound international principle and Australia's legitimate interests; and in all major matters its views (he claimed) coincided with those of Britain and the U.S.A. He believed that the present Government was following a policy that any Australian Government must adopt.

Viewing the debate as a whole it seems true that there is much in common between the parties, and that the Opposition, if in power, would be following some at least of the paths which are being trodden by the present Government. On the other hand, it seems clear that there is a definite difference in emphasis in the application of the three principles enunciated by the Minister. The Opposition would evidently place support of the United Nations as third in order of importance of the three principles and they affirm that the Minister has neglected the other two. While the point was not made in the debate, it does appear that the Australian Government has not actively followed up the proposed pact of friendship with the United States which the American Government has shown willingness to conclude in the last twelve months. Since the announcement of the Atlantic Pact there has been some suggestion in the press that the Australian Government would rather favour a multilateral arrangement in the nature of a Pacific pact. It seems doubtful, however, whether this suggestion will survive the criticism that the basis of the Atlantic Pact is the existence of a community of interest between the participants in resisting Soviet aggression, whereas there is no such community of interest among the nations bordering the Pacific.

One anomaly which was evident in the debate was that what the Minister and his supporters were defending was the foreign policy of Dr. Evatt, while the Opposition pointed out—without any real reply from the Government—that on certain issues, particularly Indonesia, there were other strands in the skein of policy. They instanced the effects of the ban by militant waterfront

unions on Dutch shipping, which the Government could not or at least had not tried to control. It was this ban which had really made Australia relatively popular with the Indonesian Nationalists and which, particularly in some of its more extreme incidents, had clouded our relations with the Dutch. Another anomaly was the attitude on immigration laws taken by the Minister for Immigration, Mr. Calwell, whose rigid enforcement of the restriction of immigration had given offence to Indonesia, Malaya and other peoples of East Asia.

Immigration

THIS latter question of immigration policy has also been the cause of much controversy outside Parliament. Restriction of Asiatic immigration has long been a feature of Australian policy. While perhaps not free from association with racial prejudice, these restrictions are largely based on economic considerations and the undesirability of mixing on a large scale people with a social and economic background inconsistent with that of the ordinary Australian population. There have long been large sections of Australian opinion, such as that represented by the Christian Churches, which have been dissatisfied with certain aspects of this policy as showing racial and colour prejudice—typified in the popular "White Australia" title of the restrictive policy. There is no doubt, however, that a wisely formulated policy of restriction would command general support from all parties and from the public generally.

But the Minister for Immigration, taking his stand on the conviction that a hard policy must be strictly administered, has acted in a number of individual cases in a manner which is considered by many to be unduly harsh. It is felt that by pushing an exclusion of Asiatic peoples to extremes the Minister is jeopardizing the whole policy. There seems little doubt that the acts of this Minister have been resented strongly in Malaya, the Philippines and other Asian countries.

The whole of this immigration policy is difficult to reconcile with the line which appears to be followed by Dr. Evatt. In the reformulation of Labour policy on foreign affairs after Pearl Harbour there was no other member of the party whose intellectual calibre and personal interests fitted him for the task as did those of Dr. Evatt; and the creation of official Government policy on foreign affairs has, therefore, been almost exclusively in his hands. In certain matters, however, the Evatt policy comes into contact with the sphere of other Ministers, and there is not always adequate adjustment of views. This lack of adjustment is specially noticeable in the case of a Labour administration, the Ministers in which are responsible, in the last resort, to Caucus rather than to the Prime Minister. It is certainly true that there is much still to be done to reconcile the internationalism of Dr. Evatt with the rigid enforcement of Australian immigration laws by the Minister in charge.

Australia,

April 1949.

SOUTH AFRICA

THE BUDGET AND FINANCIAL PROBLEMS

THE last three budgets presented by Mr. Hofmeyr were all "transitional" budgets. A number of the special war-time taxes were successfully eliminated, but any radical changes in the tax system were deferred. Mr. Havenga's two post-war budgets have each partaken of the same character of marking time; but with this difference, that Mr. Hofmeyr's budgets were designed as a slow transition to a situation in which war-time securities, war-time controls, war-time excess profits and the special taxation upon war-time profits no longer dominated and distorted the economy. Mr. Havenga's, on the other hand, seem to lead nowhere in particular. They also appear to have only a remote connexion with the special restrictive measures which have been imposed to curb our overspending abroad.

Taken in isolation, the budget which Mr. Havenga presented on March 16 is a budget which could give grounds for satisfaction. It starts with an estimated surplus of over £7½ million from 1948-49, which is a useful contribution towards loan expenditure. It makes a few minor concessions, and the only alteration of importance is that most of the surtax previously levied upon normal income tax and super tax, which was rather surprisingly removed in the last budget, has now been reimposed. In brief, expenditure on revenue account for 1949-50 is estimated at rather more than £140 million as against a revised total of just under £136 million spent in 1948-49. Revenue for 1949-50 on the existing basis of taxation is estimated at rather under £138 million, and on the revised basis as something over £139½ million, which leaves an inconsiderable estimated deficit of £590,000.

Unfortunately, the revenue account is only part of the picture. Mr. Havenga takes some credit for having pruned down departmental applications for capital expenditure on loan account by £29 million. Even so, the loan vote is £75 million, which is considerably more than in any war-time year, when defence expenditure alone demanded anything up to £40 million from the loan account. It is more than three times the size of any pre-war loan vote—and, incidentally, the £29 million which the Minister of Finance has lopped off this year's estimates is the same figure as the total departmental demands made in 1938-39, when he described them as having reached "dangerous proportions", which only drastic cutting had reduced to the barely manageable figure of £23 million.

Mr. Havenga has put forward two excuses for the size of the loan estimates. The first is that much of the money is needed to pay for orders given under the previous Government, and the second is that the expenditure is required for development. Both points are true; and, in view of the limiting effects upon the country's economy of existing bottlenecks in steel and transport, it is undoubtedly a matter for rejoicing that we shall have to find £16 million for the Railways and £11¼ million for the Iron and Steel Corporation (IsCOR), for orders given up to three years ago, which will be delivered during the current year.

The fact remains that the last Union Government loan floated on the South African market at $3\frac{1}{2}$ per cent only reached with difficulty the minimum £20 million required, and the response was almost entirely institutional. Prospects of overseas borrowing are now admittedly poor. Yet, in addition to Treasury borrowing, several of the larger municipalities are also anxious to float considerable loans, making about £12 million in all, and the Capital Issues Committee has refused permission for them to do so in Great Britain. Altogether, the loan programme must be giving the Treasury anxious thought.

The problem cannot be divorced from the still-developing balance-of-payments problem which was discussed in the last issue of THE ROUND TABLE. This has now taken a more acute form, with the virtual exhaustion of our ordinary sterling reserves as well as of our available gold and dollar reserves; and we have already dipped, to the extent of £15 million, into the sterling nest-egg represented by the £80 million gold loan.

As a measure for checking the exhaustion of our sterling reserves, import control was during March extended to goods from the sterling area. In place of the former rationing of dollar exchange, a system of import licences is being substituted, based upon each importer's 1948 record. While the dollar-rationing scheme lasts, and the two schemes exist side by side, this new control is being exercised primarily over imports from the sterling area, but it will after the end of June become the general method of control. For purposes of control, imports are to be classified under the four headings of (a) consumer goods, (b) raw materials and components, (c) capital equipment and (d) motor transportation equipment. Sources of supply are also to be classified under four headings, viz. (a) sterling countries, (b) European non-sterling countries, (c) other non-sterling countries and (d) exempted countries. The last classification includes only the neighbouring Protectorates and the Rhodesias, as far as their own products are concerned.

The aim of the control is to cut total imports to 60 per cent of the 1948 level. Imports from the non-sterling countries will be cut by some 50 per cent. Under last November's dollar-rationing scheme, supplementary quotas of dollar exchange totalling £65 million have, apparently, already been given on account of the essential nature of the goods to be imported. This shows the difficulties of import control, and makes it clear that the Department of Commerce and Industries has an unenviable task ahead in sorting out "essentialities". Some 60 per cent of imports in 1948 appear to have been for industries; hence, as an attempt is to be made, as far as possible, to maintain industrial production, importers of consumers' goods will find the restriction of their supplies proportionately more severe.

The Internal Financial Situation

IN this extremely cramping and involved set of circumstances, one might have thought that the Treasury would do its best to aid the Department of Commerce and Industries by all the financial means in its power. Assuming, for example, as we must, that Mr. Havenga is convinced of the necessity of the £75 million expenditure involved in his loan programme, was there not, perhaps, a clear call for a "Crippsian" budget, in which a considerable

proportion, at any rate, of the capital programme was met out of revenue? This would have gone far to relieve the inflationary pressure upon a commodity market depleted by import control.

As it is, the authorities have most unfairly placed the onus upon the banks, which have been asked to restrict credit for speculative purposes or for unnecessary purchases, without having been provided with a clear indication of what is to be regarded as unnecessary. Still more unfairly, the banks have subsequently been attacked by another Cabinet Minister—one can only suppose without having consulted the Minister of Finance—for having endeavoured to comply with this request. However, Mr. Havenga himself has gone out of his way to state the Treasury's opposition to a hardening of interest rates, which he denounces, surprisingly enough to those who learned their economics a generation ago, as "inflationary". It does not appear from the budget, or from any other steps taken so far, that the Government has even yet a firm enough grip of the situation.

While the possibility of a dollar loan is still being explored, Mr. Havenga evidently looks forward to accomplishing his extensive loan programme with funds locally subscribed. A means to accomplish this has been put forward by the Governor of the Reserve Bank, who has invited the commercial banks, the mining houses, insurance companies, building societies and other financial institutions to combine in the formation of a Finance Corporation, with a capital of £1 million. This corporation would mop up funds seeking short-term investment (much of which, in present circumstances, has to lie idly on deposit) and reinvest them in Government or municipal stocks or in Treasury Bills, under rediscount facilities guaranteed by the Reserve Bank. It might also issue debenture bonds for reinvestment in redeemable debenture securities of mines and essential industries.

It seems evident that such a corporation should be capable of performing a useful function; that it will be able to meet all Mr. Havenga's immediate needs is not so evident.

The Price of Gold

IN his budget speech Mr. Havenga indicated clearly enough what he looked to as the way out of present difficulties. "I believe", he said, "... that the process of preparation which must precede a change in the price of gold is already taking place. I do not, however, want to under-estimate the forces which must be employed before such a change can take place."

Presumably the forces to be employed have included the much-discussed sale of 100,000 oz. of industrial gold at a premium and the formulation of plans for setting up processing works in the Union in order to benefit more largely in future from the higher prices now obtainable for gold plate. Is this a piece of deliberate brusqueness, designed to show that the new South Africa can get tough if insufficient attention is paid to her point of view?

There seems to be every indication, therefore, that the 1949-50 budget is intended as a mark-time budget while the forces making for an increase in the gold price are successfully marshalled and deployed. Whether, should these forces prove insufficiently strong to move the dollar price, they will

lead to a devaluation of the South African pound against the dollar is anybody's guess, and present movements of investable funds between different parts of the sterling area suggest that not all investors guess the same.

But even an increase in the price of gold in the most desirable form for South Africa, namely, an increased price in dollars, will not necessarily solve all our economic problems. Our experience of the effects of an increased world price of gold on a severely deflated economy may not be repeated if its impact comes upon one already suffering from inflation. The known wage demands of the miners, which are even at present barely held in check, suggest that while an increased price of gold may solve some problems, it may exacerbate others.

The Provincial Elections

THE elections for the provincial councils of the Cape, Transvaal, Natal and Free State produced no evidence of any important change in public opinion since the general election. Provincial elections are held on the parliamentary voters' roll. In the larger provinces the constituencies are identical with the parliamentary constituencies, but in Natal and the Free State there is an arbitrary minimum of 25 provincial councillors, compared with 16 and 13 members of Parliament respectively. The Nationalists gained control of the Transvaal council by a small majority and retained control of the Free State council by a large majority; the United party retained control of the Cape by a small majority and of Natal by a large majority.

In the Cape and Transvaal, where the constituencies are identical, the Nationalists lost three seats which they won in the general election and the United party lost none. In terms of seats the Nationalist party totalled 88 against the Opposition's 83, a majority of 5. These figures, however, include 23 provincial councillors for the Free State and in a parliamentary election these would have been reduced to 13. If allowance be made for the difference in seats in the smaller provinces, the Nationalist majority of 5 would be reduced to a parliamentary minority of 1.

In parliamentary terms, therefore, the Nationalists have not progressed and have even receded sufficiently to emphasize how precarious is the present Government majority in Parliament. At the same time, the elections have shown that the general election of last year can by no means be written off as a fluke. As in the general election, the Opposition polled many more votes than the Government party. In terms of the South African Constitution there is a "load" of up to 15 per cent in favour of rural constituencies and of up to 15 per cent against urban constituencies. With 83 seats the Opposition polled 600,512 votes and with 88 seats the Government party polled 479,056, a minority of 121,456 votes. On the average it took 7,236 votes to elect a United party councillor and only 5,506 to elect a Nationalist.

As in the general election the United party was practically eliminated in the Afrikaans-speaking rural areas, obtaining 7 of the 72 seats classed as "Afrikaans *platteland* areas". It is interesting that, nevertheless, in terms of votes, the United party in these areas polled 174,789 against the Nationalist 259,996, or 40 per cent to the Nationalists' 60 per cent.

On the whole, the percentage of votes cast was lower than in the general election, but there is no satisfactory evidence that the abstention of the Afrikaner party from the poll affected the issue one way or the other.

South-West Africa

SOUTH AFRICANS of all political shades welcomed the unification of the Union of South Africa and the former German colony and mandated territory of South-West Africa by Act of Parliament during the current session. This meant the creation of a greater South Africa comprising a territory of 790,275 square miles with an increased European population of 30,677 and 323,055 non-Europeans. For South Africa it was an historic occasion which brought to fulfilment the policy of the first Union Government when the late General Botha, assisted by General Smuts, wrested this territory from the Kaiser's Reich.

Substantial and influential sections both in the Union and South-West, however, disagreed with the way in which the unification was brought about. Dr. Malan, the Prime Minister, who introduced the South-West Africa Affairs Amendment Bill himself, did everything in his power to speed the passage of the Bill. The reason he gave for this was his desire to prevent the South-West question from being dragged before U.N. again this year, although it is felt by the Opposition that the real reason was his desire to increase his majority in Parliament by a majority of members and senators from South-West, since it is confidently believed in Nationalist circles that of the six parliamentary seats created by the Bill they will secure at least four, and at least three out of the four senators. For this reason also he was courting the voters of South-West, and in the opinion of political observers unwisely agreed to a solution which left much to be desired.

United-party members took grave exception to the clauses of the Bill which gave South-West Africa financial autonomy and which, in the opinion of so experienced a leader as Field-Marshal Smuts, represented a serious inroad on the sovereignty of Parliament. In line with these financial restrictions, Dr. Malan also proposed the granting of restricted voting rights to the six South-West-African members and the four senators to be elected to represent the territory in the Union Parliament. Here again Field-Marshal Smuts, as the elder statesman of South Africa, came forward in the last stages of the parliamentary deliberations with a proposal to give the members and senators of South-West Africa the same rights and status as the other members of the Union Parliament. Dr. Malan accepted this generous contribution and incorporated it in the Bill but even so the financial clauses remained, giving South-West a hybrid status which is above that of a province but lower than that of a federated territory.

In Liberal circles grave objection was taken to the Bill in that it made no provision for representation of the 300,000 non-Europeans living in the territory. It was felt that Dr. Malan left himself open to attack by the United Nations and that he also jeopardized any future chance which South Africa may have of persuading the British Government to permit the incorporation of the purely native High Commission Territories.

South Africa, April 1949.

NEW ZEALAND

THE DOMINION'S PART IN EMPIRE DEFENCE

"If conditions arise where military training is considered necessary in New Zealand, every effort will be made to have a system of training on a voluntary basis, but if that fails the Government will have no alternative but to introduce compulsion for the defence of New Zealand."

SUCH was the clarion call of our Prime Minister on February 23 to the people for the defence of Empire, not made to them direct, but released by the Wellington Trades Council, reporting its interview with him. He expressed his failure to understand and the Government's refusal to tolerate persons who thought it right for Eastern and Soviet countries to enforce military training and be armed to the teeth and who bitterly opposed any suggestion of the right of democracies to arm and train their people to protect their democratic rights. The meeting merely pledged itself to examine with an open mind the matters placed before it. In his previous discussion on defence with the National Council of the Federation of Labour, the question of compulsory military training having remained in abeyance until his return from the consultations of the Prime Ministers in London, a similar statement was met by the Council's answer that, if peace-time conscription were proposed it should be submitted to a referendum, and that the Federation's attitude to such a policy should be determined by the annual conference of the delegates in May.

Like Touchstone, Mr. Fraser thinks, "Your 'if' is the only peace-maker; much virtue in your 'if'." But what sense is there in *his* "if", when the cables in the newspapers continually emphasize the immediate and urgent necessity of military training throughout the Empire; when Lord Listowel and other high British Defence experts have flown out to the Antipodes and have been discussing at Canberra and Wellington—so reports say, although with him "Mum" was the word—plans for a Pacific regional Defence pact, similar to the Atlantic Defence pact; when New Zealand's experience in two world wars proved convincingly that voluntary service would not produce the force we require and when Australia's five-year defence programme has so far produced only 14,000 volunteers for the proposed force of 50,000?

If Mr. Fraser, who has left no doubt what his own view is, fails to translate it into action, two of our leading Generals, Major-General Sir Howard Kippenberger, President of the New Zealand Returned Services Association and now Editor of New Zealand's *History of the Second World War*, and Major-General Barrowclough, G.O.C. 3rd N.Z. Division, in our daily papers have left no doubt of their own views and of that of the Association, based on actual personal experience of two world wars, and knowing "the price that we had to pay and the losses we had to endure because of lack of preparedness in both". The former says that in a Third World War our fate will be decided overseas. We must have a strong division of such quality and readiness that it can be applied early at the critical point. Such a force

can be produced only by a system of compulsory service. His estimate of the annual cost to the Dominion was £10 million.

The new Territorial Force planned by the Government, the nature of which was announced in March by the Minister of Defence (Mr. Jones), will represent a division, including three armoured regiments, and some additional troops, besides static coast and anti-aircraft units.

The only financial provision for the Force last year was a token sum of £2,000, sufficient money to be available when it was decided what the size of the Force would be, and how and when it would be established.

So far the only concrete steps for the provision of the Force have been: (a) The appointment of Brigadier K. L. Stewart, C.B., C.B.E., D.S.O., as Chief of the General Staff, and Brigadier W. G. Gentry, O.B.E., D.S.O., as Adjutant General. Both have a record of distinguished war service. (b) The appointment of the commanding officers of the various units of the Force, all of whom held high rank in the 2nd N.Z. Division and volunteered. It is hoped that the other officers and N.C.O.s required will largely come also from volunteers from that division, so that the animating spirit of our new army may be provided by experienced and seasoned soldiers.

There is still a deficiency in the ground staff of our Air Force, as there is in Australia.

Four of our six modern frigates arrived early this year and have been recently engaged in naval exercises with H.M.S. *Bellona*. When the additional frigates arrive towards the middle of the year the New Zealand naval forces will comprise the two cruisers (each of eight 5.25-inch guns), *Bellona* and *Black Prince*, the six frigates, eight mine-sweepers, and fast motor-launches, with a surveying ship still to come. Of these all will be in commission except the *Black Prince* and seven mine-sweepers which are being held in reserve.

For the Air Force New Zealand is providing two long-range bomber reconnaissance squadrons, one fighter squadron, one transport and one flying-boat squadron. Two of the squadrons will be located at Fiji. Commodore G. W. G. Simpson, Chief of the Naval Staff, when welcoming the assembled crews of the four frigates at Auckland said that our Navy was responsible for an area of 20 million square miles in the Pacific, in which there were 450 islands ranging from groups like the colony of Fiji to small atolls, all of strategic importance. As hitherto, we have not been able to man our Navy with New Zealanders only, and half the crews of the four new frigates come from Britain. On April 6 the Minister of Defence announced New Zealand's participation in the defence of Fiji and the appointment of a representative in Fiji of the New Zealand Chief of Staff, who will also be adviser to the Governor of Fiji on defence matters.

Drinking and Gambling Referenda

FORTY-FIVE years ago the New Zealand Referendum League was organized to obtain a referendum law that would give electors the right to initiate or veto legislation. The demand found no support then. But our two recent contemporaneous polls on drinking and betting, especially in

view of the clear declaration of the will of the voters in both, may well lead to the solution in this manner of troublesome non-party problems, freeing both parties from responsibility. Already there have been demands that the question of the restoration of capital punishment, advocated by some grand juries in view of recent atrocious murders, should be referred to a plebiscite, while the Federation of Labour has suggested that the question of voluntary or conscript defence forces should be remitted to the people for decision.

Both polls took place on March 9. The number of votes cast in each was under 638,000. The total number of electors on the roll was approximately 1,072,324. At the last general election 93.46 *per cent* of those on the rolls voted. The March number of THE ROUND TABLE* related the facts that led up to the Licensing poll. To enable English readers to understand the people's decision on the question of the hours of closing hotels, it must be pointed out that in the Dominion there is no counterpart of the English inn, in which drinking is a subsidiary refreshment in the course of a social evening. In New Zealand a bar is for the purpose of drinking only. "The custom of standing up to drink is a national one", even where chairs and tables are provided. To introduce anything like the English—or on a larger scale the continental—system would mean a complete change not only in hotel arrangements but in the make-up of New Zealanders. But the majorities in favour of Trust Control in the two no-licence districts where restoration of licences was carried, and in the King Country where licensing was not carried owing to the Maori majority against it, indicate that the people would welcome a new set-up in hotel management, even though the Licensing Commission considered that the Invercargill Licensing Trust would need to run for four or five years after the return to normal conditions before it could be determined whether this Trust could provide a satisfactory form of liquor control.†

By the Licensing Amendment Act, 1948, the electors were asked to decide whether the hotels should continue to be open from 9 a.m. to 6 p.m. or for a total of nine hours (to be decided) between 10 a.m. and 10 p.m. The majority report of the Commission had recommended the spread of hours to 10 p.m.

The Committee of the Associated Churches, the Presbyterian, Methodist, Baptist and Congregational Churches, the Churches of Christ, the Salvation Army and the Society of Friends issued a leaflet to householders urging them to "Keep the pubs closed at 6 p.m." The *Vanguard*, the organ of the New Zealand Alliance, also advocated six o'clock closing. The result of the poll was a majority of over 3 to 1 in favour of 6 p.m. closing.

Off-course Betting Poll

IN 1948 the Royal Commission appointed to inquire into and report upon gaming and horse-racing and to make proposals for the necessary amendments brought down their report, in which the whole history of betting laws, racing, the totalizator and its competitor, the bookmaker, are lucidly and

* See THE ROUND TABLE, No. 154, March 1949, pp. 188-190.

† See THE ROUND TABLE, No. 135, June 1944, p. 293.

succinctly set out.* So far as the poll is concerned, it is necessary only to explain the present position and law relating to the totalizator and the bookmaker. The law authorizes the use of the instrument in the sense that it does not expose the person using it to penalty or forfeiture, but betting by means of a totalizator remains a wagering contract. This was the decision of the Supreme Court under the old Gaming and Lotteries Act. Since then subsequent Acts have made it the duty of the racing club using the totalizator, after deducting $12\frac{1}{2}$ per cent commission, to pay by way of dividend all moneys received by way of bets on the "tote", excepting fractions not exceeding sixpence. Of this $12\frac{1}{2}$ per cent, the club receives three-fifths and the Government two-fifths, and there is a further deduction from the winners of dividends of a dividend tax of 5 per cent that goes to the Government. (Each club is granted a rebate of $2\frac{1}{2}$ per cent on the first £20,000 staked on its totalizator, or if the totalizator turnover is less than £20,000 for the year, then $2\frac{1}{2}$ per cent on the full amount staked.) For the racing year 1946-47 the total totalizator bets were £22 million; the totalizator tax amounted to approximately £1,100,000 and the dividend tax to £962,358, making a total taxation derived by the State from the "tote" of over £2 million. It was estimated by the Dominion Sportsmen's Association, alias the bookmakers, that £24 million that year passed through the hands of the bookmakers, estimated at 763. "Doubles" betting constituted 15 to 25 per cent of their business, and their odds were in general determined by the amount ultimately paid on the totalizator. As bookmakers take so much revenue from the State, and bet on credit and with youths under twenty-one, they are not only a menace to the morale of the community, but also serious competitors to racing and trotting clubs and the Government. The Commission recommended the institution of a system of off-course betting by means of totalizator agencies, say, 200 to begin with, betting to be for cash or against a deposit already made.

By the Gaming Poll Act, 1948, the Legislature determined that the electors should be asked to vote for or against the proposal that provision be made for off-course betting on horse-races through the totalizator by means to be provided by the Racing and Trotting Conferences.

The difference between the attitude to bookmakers in England and that in New Zealand may be exemplified by two examples of our respective legislation. England provides that the occupier of a licensed dog race-course on which a totalizator is being used must also provide for bookmakers sufficient space where they can conveniently carry on bookmaking. The Commission, however, was unanimous that there was enough gambling already on the horses, and that if totalizator permits for dog-racing were granted all New Zealand would soon be "going to the dogs". In 1920 we made book-making a criminal offence and the bookmaker a theoretical pariah with whom it is a criminal offence to bet, but who in practice finds ready admission into factories and public-works camps and to whom the State grants the use of the telegraph and telephone for transacting "criminal" business, while the law prohibits their use as a means of betting on the totalizator. No real

* *Gaming and Racing*, Dept. of Internal Affairs, Wellington 1948.

attempt has been made to eliminate the "Dominion Sportsmen". They have—mostly the smaller fry—been prosecuted and fined from time to time, but only occasionally sent to jail.

The Commission reported that the Associated Churches regarded betting as a social evil, advocated the rigid enforcement of the present laws, the prohibition of everything calculated to encourage betting, the restriction of totalizator licences and the discontinuance of taxation from gambling. The Church of England and the Roman Catholic Church did not pronounce gambling inherently wrong but only when carried to excess. Both regarded it as against the public good that private individuals should be allowed to make a living out of gambling.

The result of the poll was a majority of over two to one in favour of off-course betting.

Few voters were able to envisage the full implications of the skeleton scheme that they have approved. Betting now being placed on a legal footing, and doubtless provision made for doubles and five-shilling bets, so popular with the "bookies", the result must be to encourage and increase gambling on horse-racing, to create a fresh army of non-productive workers, and to give the State a substantial increase in its revenue from gambling. Probably the bookmaker will *not* be eliminated. If youth above twenty-one is encouraged to bet both on and off course, youth under twenty-one will resort to the bookmaker, as elusive and intrusive as the Scarlet Pimpernel. The Associated Churches regard the decision of the people as a challenge to the moral sense of the community. Time will show.

'Going Slow'

THE firm stand of the employers and in the long run the drastic action of the Government terminated a defiance of the decision of the Court of Arbitration by the carpenters in the Auckland district and underpinned the foundations of that Court, which have been shaky for some time past.

Last December, on the application of the Carpenters and Joiners Union of Auckland, that Court issued a new award granting a wage increase and making other special provisions concerning week-end and holiday work, and altering clauses affecting suburban work. The workers, being dissatisfied, determined to "go slow". After a conference, which came to naught, the employers abiding by the terms of the award, the workers did "go slow". The employers promptly dismissed them about the middle of February. Building operations, particularly on State housing, thereupon came to a standstill. The carpenters, unable to obtain employment and posing as the victims of a "lock-out", claimed from the Social Security Office the unemployment benefits provided by the Social Security Act, 1938, but were told that they were not entitled thereto. A boycott of the firms responsible for the dismissals was then initiated by the watersiders, the drivers, and for a while some of the railway-men, who refused to handle goods or ships containing them and destined for the employer firms that had taken part in the so-called lock-out. The watersiders who refused to work the ships were

dismissed and penalized, the drivers were dismissed by the master carriers, the railway-men were ordered back to work by their executive. All this took time and a general industrial stoppage appeared inevitable. The Minister of Labour (Mr. McLagan) spoke the usual brave words of disapproval of direct action and threatened to take steps, later translating his threat into action. The drivers dismissed called their own meeting, and despite the appeals of the union organizer not to surrender "for in four days the railways would be choked", cancelled the boycott and were speedily reinstated and transport by land was renewed. It did not take long for the watersiders at the direction of the Auckland Trades Council to follow suit, the boycott was lifted, the penalties cancelled and the idle ships were being worked. The Federation of Labour, whose National Council had promised moral and financial support to the carpenters in the "lock-out", became alarmed at the activities of an "action committee" which threatened to cause a complete stoppage of industry, and requested the carpenters' organization to resume work and hand the dispute over to the Federation. At an open-air meeting, at which only about 750 were present out of about 1,500 affected, the demand was rejected by 495 to 229. That the whole trouble had been created by the Communist party was alleged to the Minister by representatives of the carpenters, who were conducting a secret ballot of dismissed men on their own account. Whether this be so or not, the responsible parties were playing the Communist game of causing industrial chaos.

On March 25 the Minister of Labour, in exercise of the powers conferred upon him by section 2 of the Industrial Conciliation and Arbitration Amendment Act, 1939, being satisfied that the discontinuance of employment by members of the New Zealand (except Otago and Southland) Carpenters and Joiners and Joiners' Machinists' Industrial Union of Workers had caused or was likely to cause serious loss or inconvenience, cancelled, within the area lying within a radius of 56 miles from the G.P.O., Auckland, the registration of that Union as from the above date. The consequence of that cancellation was that the awards of the Arbitration Court and industrial agreements so far as they related to that Union are deemed to be cancelled in respect of that area. The result is that every individual worker is free to make his own decision as to employment. The "de-registered" Carpenters' Union having refused to agree to the taking of a secret ballot on the question of the "Go-Slow", the Minister of Labour on April 13 announced that a new union of 1,020 members (willing to accept its obligations under the Act) which clearly had the majority support of the carpenters in the area concerned would be registered under the Act, subject to the verification of its membership lists, and to the approval of its rules by the authorities.

New Zealand.

April 1949.

COMMONWEALTH RELATIONS

THE last six months have been a revolutionary period in the development of the British Commonwealth. Less could scarcely be said of so short a space of time which has seen the absorption of a former self-governing Dominion, Newfoundland, into the Canadian Confederation; the severance of Eire from the Commonwealth upon her becoming a republic and the promotion of various measures consequent upon her departure; and the decision of the eight autonomous Governments of the Commonwealth that India, upon becoming a republic but accepting the Crown as symbol of the association and Head of the Commonwealth, would remain a full and equal member. These major events are referred to elsewhere in THE ROUND TABLE. But under their shadow there have been lesser developments, some positive and some negative, which are nevertheless of importance.

The communiqué issued after the meeting of Commonwealth Prime Ministers in October 1948 reported that recommendations for improving Commonwealth consultation on foreign affairs, economic affairs and defence were being submitted to the Governments for consideration and decision. The public were given to understand that immediately these recommendations were ratified they would be published; and early this year Dr. Evatt, the Australian Minister of External Affairs, said that it would soon be possible to announce decisions "which represented a considerable advance in the methods of consultation". The belief in informed circles was that the recommendations embraced more frequent meetings of Prime Ministers, visits of Ministers and high civil servants to consult with their "opposite numbers" in other Commonwealth countries and the setting up of some permanent official machinery in London to deal with current problems in the economic field. The total silence which has ensued on this subject gives rise to the suspicion that some Governments of the Commonwealth are too fearful of what might be read by their political critics into even consultative "commitments" to authorize publication. It may, however, merely have been thought untimely to distract attention to questions of machinery until the basic constitutional issue had been clarified apropos of India's decision to become a republic.

The consistent use of the word "Commonwealth" without the epithet "British" in the Prime Ministers' communiqué after their October conference caused a certain stir. While it can hardly have been inadvertent, this was not, apparently, the result of any decision by the conference. It is impossible, however, not to conclude that the dropping of the epithet between the earlier and later passages of the Declaration of April 27 was deliberately done to draw a distinction between the association as it was and as it will be, with three countries among its membership which are not even fractionally British in population or historical descent, one of them a republic recognizing His Majesty only as Head of the Commonwealth and not as its own King.

On being asked in the House of Commons on May 2 what steps he had

taken to secure the agreement of His Majesty's Governments in other parts of the British Commonwealth and Empire to the progressive substitution in official usage of the term Commonwealth for the term Empire, and how far the Government in the United Kingdom intended to put an end to the official use of the expression British Empire, Mr. Attlee replied:

"Terminology, if it is to be useful, keeps step with developments without becoming rigid or doctrinaire. All constitutional developments in the Commonwealth, the British Commonwealth, or the British Empire—I use the three terms deliberately—have been the subject of consultation between His Majesty's Governments, and there has been no agreement to adopt or to exclude the use of any one of those terms, nor any decision on the part of His Majesty's Government in the United Kingdom to do so."

The Prime Minister added that opinions differed in different parts of the British Commonwealth and Empire, and it was better to let people use the expression they liked best.

There is not room on this occasion to record the numerous economic agreements of greater or less moment which have been reached among Commonwealth countries, particularly between the United Kingdom and the Dominions, in the past few months, except for the most striking of them, the long-term agreement of April 27 touching the development of Australian meat supplies. Under this, the United Kingdom Government declared their willingness, in return for an undertaking by the Australian Government to promote development schemes (such as road-making and water conservation) which offer a good prospect of increased supplies of meat of the agreed magnitude (as yet unspecified), to enter into arrangements which would guarantee a market at reasonable prices in the United Kingdom for the whole of the exportable surplus of meat from Australia up to a certain limit during a period of fifteen years.

On the other hand, trade relations between the United Kingdom and Canada have caused considerable friction, and threaten to become a political issue in Canada. The Canadian complaint is that, her economy having been adapted, largely for Britain's sake, to the increased production of food and raw materials such as Britain wants, the latter refuses to buy beyond narrow limits, and Canada finds surpluses on her hands. The British reply is that substantially more (after allowing for the rise in prices) is being bought from Canada than before the war, and that additional purchases must depend on the earning of extra dollars by the sale of British goods to Canada. The President of the Board of Trade left for a visit to Canada in May largely in order to clear up misunderstandings on this score and to seek positive solutions.

Reflection on such matters, or on the continued failure, despite the truce, to find a settlement of the Kashmir dispute, or on the unrelieved strain between India and South Africa on account of racial policy, prompts the conclusion that constitutional developments and expanding ideals, however worthy, will prove dust unless they lead to practical co-operation, mutual sympathy and, where occasion requires, joint action.



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